SHIFTING POWER:
THE RISE OF BRAZIL, INDIA AND CHINA AT THE WTO

by

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ABSTRACT

The rise of emerging markets, such as China, India and Brazil, is reshaping the global economy and challenging the traditional dominance of the US and other advanced-industrialized states. At the same time, reforms have occurred in many global governance institutions to increase the representation of the large emerging economies. This raises two key questions: Are the emerging economies gaining real influence in determining how the global economy is governed and regulated? If so, what impact are they having on the multilateral system and global economic governance? In this paper, I analyze the role and impact of Brazil, India and China at the World Trade Organization (WTO), a core institution in global economic governance. I argue that the new developing country powers are indeed exercising considerable influence, with profound consequences: the result of such power shifts has been multilateral disintegration and the stillbirth of neoliberalism at the WTO. Although the new powers are challenging the hegemony of the US rather than the neoliberal paradigm of the WTO, the consequence has been a stalemate between the old and new powers in the Doha Round of trade negotiations. Power shifts have thus halted the WTO's project of the progressive expansion of trade liberalization and neoliberal economic restructuring.

CHAPTER 1

Introduction

The global political economy is currently in the midst of a period of immense change with the rise of new global powers in both the economic and political realms. Important structural changes are taking place in the global economy, with major shifts in economic activity from Global North to South. In just the last decade, the share of global gross domestic product (GDP) attributed to the Group of 7 (G7) advanced-industrialized countries has fallen from 72 percent to 53 percent (Wade 2011). Parts of the developing world have experienced tremendous economic expansion, such that developing and transition economies now make up half of the world's output (Wade 2011). China is the most striking example of this transformation, having emerged as the world's largest manufacturing exporter and second largest economy, with substantial foreign currency reserves and holdings of US debt. India has become one of the world's leading exporters of services, particularly in the areas of information technology (IT) and IT-enabled services. Brazil has emerged as an agro-industrial export powerhouse. These large emerging economies are producing their own globally competitive firms and increasingly powerful multinationals and they have become important sources of outward foreign direct investment (FDI).

Structural changes in the global economy have been accompanied by major changes in the international institutions charged with its governance, which have traditionally been dominated by the US and other advanced-industrialized states. Such changes have included: the replacement of the Group of 8 (G8) rich countries by the Group of 20 Heads of State (G20-HOS), a mixed group of developed and developing countries, as the primary forum for international economic cooperation; reform of the voting structures of the International Monetary Fund (IMF) and World Bank to give increased weight to the emerging economies; a change in the composition of the inner circle at the World Trade Organization (WTO); and the major role played by China, India and Brazil, specifically, in the international climate change negotiations.

The rise of new developing country powers, such as Brazil, India and China, and the corresponding decline in the economic and political dominance of the US are thus reshaping the world economy and the institutions charged with its governance. This transformation has been identified as one of the most important in modern history (Ikenberry 2008; Warwick Commission 2008). It raises major questions about what role the new powers are playing in global governance and what impact this shift in power is having on multilateral cooperation and the governance of economic globalization. This project addresses such questions and contributes to our understanding of the nature and implications of contemporary power shifts by examining the case of the WTO.

Theoretical Issues and Questions

There is considerable debate regarding the emerging structure of the international system (Layne 2009). Some have argued that the international system remains unipolar with the US as the dominant power (Babones 2011; Brooks and Wohlforth 2008; Ikenberry, Mastanduno, and Wohlforth 2008; Norrlof 2010). Others contend we are in the midst of a shift in hegemony from the US to China (Arrighi 2007; Jacques 2009; Kynge 2006; Subramanian 2011a). Yet others have suggested we are now witnessing group hegemony (Bailin 2005; Beeson and Bell 2009); multipolarity (Bromley 2011; Emmott 2008; Layne 2011; Nye 2010); uni-multipolarity, a system with one superpower and several major powers (Huntington 1999); or nonpolarity, with power diffused among dozens of actors (Haass 2008).

A key question is whether the new powers are now actually exercising influence in the global economic governance institutions. Some dismiss claims that there has been a shift in power within these international organizations and argue that their influence in global economic governance remains small (Beeson and Bell 2009; Pinto, Macdonald, and Marshall 2011; Subacchi 2008; Wade 2011). They contend that while shifts in the global balance of power toward the BRIC countries have been reflected in structural changes in the global economic governance organizations, "most of the BRICs are not yet exercising a strong voice in these organizations."(Pinto, Macdonald, and Marshall 2011) The claim is that the BRICs have not yet become a "source of initiative" or played an agenda-setting role in these organizations (Wade 2011). Similarly, many scholars argue that reports of a decline in US power have been exaggerated and it in fact still retains its primacy in the interstate system (Babones 2011; Brooks and Wohlforth 2008; Ikenberry, Mastanduno, and Wohlforth 2008; Norrlof 2010).

One of the reasons often given for the purported failure of the emerging powers to exercise influence in global governance is that they lack unity and leadership (Wade 2011). It is argued that these countries lack a collective identity and their interests are simply too diverse to achieve cooperation and coordination, which limits their influence. The new powers are frequently criticized – especially by the US foreign policy establishment – for being free riders and failing to assume the responsibilities of power

(Hampson and Heinbecker 2011; Patrick 2010). Various authors, particularly from the security realm, have argued that collective action problems have prevented other states from balancing against the US (Brooks and Wohlforth 2011; Roberts 2010).

Among those who argue that a shift in power *is* taking place in global economic governance – with the rise of new developing country powers who are coming to exercise influence and play a significant role in international organizations – there is a widespread assumption that this is simply a reflection of their growing economic might (Arrighi 2007; Bailin 2005; Cooper and Schwanen 2009; Emmott 2008; Ferguson 2006; Hung 2009; Jacques 2009; Jain 2006; Wade 2011; Zakaria 2008). In large part, this reflects the theory in international relations (IR) and international political economy (IPE) that the rise and fall of new powers is driven by relative growth rates and share of world GDP (Gilpin 1981; Kennedy 1987; Layne 2011; Organski and Kugler 1980). As a result, most attention to shifting power in the international system has focused on the rise of China, given its large economy, rapid growth rates, major role in world trade, and considerable financial power (Arrighi 2007; Emmott 2008; Hung 2009; Jacques 2009; Subramanian 2011b; Zakaria 2008).

The existing international economic order and the key institutions of global economic governance (including the IMF, World Bank and WTO) were created during and heavily shaped by the era of US hegemony (Gilpin 1987; Keohane 1984; Ruggie 1996). As the dominant global political and economic power, the US has been a key driver of neoliberal globalization (Arrighi and Silver 1999; Babb 2009; Chorev 2008; Cox 2008; Evans 2008; Gill 2002; Harvey 2005; Helleiner 2001; Kirshner 2008b; Layne 2009; McMichael 2004). By *neoliberal globalization*, I refer to the form of increased global economic integration that has occurred in the last several decades, driven by an ideology of market fundamentalism and corresponding policy prescriptions including trade and financial liberalization, privatization, deregulation, and reducing the size and role of the state. The US created and used institutions like the WTO, IMF, and World Bank to spread market-oriented policies, propel countries to open and liberalize their markets, and increase global trade and capital flows. The prospect of a shift away from US hegemony has therefore generated considerable debate over its potential consequences for global governance, multilateralism, and globalization. Various theories from political sociology and international relations lead to different analyses and predictions, with the primary divide centered on whether shifts in power are likely to generate conflict or enhanced cooperation.

From within the realist tradition of IR, there is a rather pessimistic view of the prospects for multilateral cooperation. Hegemonic stability theory contends that an open, liberal economic order requires a single hegemonic or dominant power (Gilpin 1987; Kindleberger 1973; Krasner 1976). The hegemon plays an essential role in the stability and functioning of the global economic order by providing key public goods such as military security, a large and relatively open market, foreign investment and aid, liquidity for the global economy, and a reserve currency. Although realists differ on whether they view such hegemony as primarily benevolent (Kindleberger 1973) or coercive (Gilpin 1987; Krasner 1976), they concur that an international system without a leader is unstable and potentially dangerous (Bremmer and Roubini 2011; Haass 2008). In a power transition, realism foresees conflict, as the result of a fundamental collision of interests and an inevitable struggle for power between the old and new powers. Scholars working from within this tradition argue that the emerging powers reject the existing rules of the game – the rules, norms and principles of the existing liberal economic order created by the Western powers (Bremmer and Roubini 2011; Patrick 2010). They contend that the new powers have their own agenda and will seek to fundamentally transform the system to their own advantage, potentially pushing the system in an illiberal direction. This view is articulated by Stewart Patrick (2010), a director at the US Council for Foreign Relations:

> The United States should be under no illusions about the ease of socializing rising nations. Emerging powers may be clamoring for greater global influence, but they often oppose the political and economic ground rules of the inherited Western liberal order, seek to transform existing multilateral arrangements, and shy away from assuming significant global responsibilities. The emerging non-Western powers do not share the United States' view on global governance... the emerging nations are intent on altering existing rules, not adopting them hook, line, and sinker. These countries … believe that they are entitled to reshape international arrangements to suit themselves.

Realism posits that the decline of US hegemony and the emergence of new powers will weaken multilateral cooperative arrangements and international economic regimes. The US "fostered an open, globalized international economic system based on the 'Washington consensus' and multilateral institutions… Globalization has been made possible by America's military and economic dominance."(Layne 2009: 169) Yet, as Jonathan Kirshner writes, "globalization is neither irresistible nor irreversible." (Kirshner 2008a) Realism therefore suggests that the decline of US hegemony could trigger rising nationalism and mercantilism, the breakdown of the liberal international economic order, and ultimately "deglobalization" (Layne 2009; Patrick 2010).

A liberal interpretation, on the other hand, is more optimistic about the prospects for multilateral cooperation and the maintenance of the liberal economic order in the absence of a hegemon (Keohane 1984). Liberal IR theory envisions a smooth integration of new powers into the Western-made liberal world order. It suggests that emerging powers will be supporters of the existing order, based on the foundational assumption that in a situation of global economic interdependence such as exists today, all states have an interest in maintaining the system (Ikenberry 2001; Keohane and Nye 1977). The old and new powers will therefore find ways to jointly manage the international economic architecture and collective action will prevail to preserve an open, liberal international economic system (Keohane 1984; Keohane 1998; Krasner 1983). Liberal institutionalism thus sees multipolarity as congruent with cooperative and successful multilateralism (Bailin 2005; Snidal 1985). Ikenberry (2009), for example, foresees a "post-hegemonic liberal internationalism," arguing that by ceding influence within multilateral frameworks, the US could lock in support from the rising powers for an international order based on the Western model (see also Drezner 2007). Moreover, some argue that the incorporation of new powers could in fact strengthen the multilateral system by making it more inclusive, representative and legitimate (Warwick Commission 2008).

A critical approach, inspired by world-systems and dependency theory and critical Marxism, yields yet another view. From this perspective, the rules and institutions of the international economic order are seen as biased in favor of the core of advanced-industrialized states and serving to perpetuate the disparity between rich and poor countries and the systematic disadvantage of developing countries (see, for example, Bailin 2005; Chang 2002; Jawara and Kwa 2003; McMichael 2004; Stiglitz 2002). Critics argue that neoliberal policies in institutions such as the WTO, IMF and World

Bank have worked to the detriment of developing countries, pointing to the way in which, for example, IMF-mandated structural adjustment programs have produced widespread social and economic dislocation in the Global South, or WTO rules on intellectual property rights have generated a significant transfer of resources from poor to rich countries (Babb 2005; Shadlen 2005; Wade 2003). Like realists, those working within this tradition also think power shifts could disrupt the current trajectory of economic globalization, but tend to view this in more positive terms. From within this perspective, there has therefore been considerable speculation and debate about whether the rise of new developing country powers could challenge neoliberal globalization and help to usher in an alternative form of globalization and a more equitable and progressive global economic order (Arrighi 2007; Bello 2002; Evans 2008; Hardt and Negri 2000; Harvey 2005; Nederveen Pieterse 2000; Pinto, Macdonald, and Marshall 2011). Could the rising powers help propel a shift away from the "Washington Consensus" on neoliberal economic policies and financial markets (Roberts 2010)? Yielding support for this position is the fact that Brazil, India and China often employ discourses that appear reminiscent of the era of Third Worldism in the 1960s-70s and its calls for a radical overhaul of the international economic order.

This dissertation speaks to such debates and contributes to theories of the nature of contemporary power shifts and their implications for the governance of the global economy and economic globalization, by analyzing the case of the World Trade Organization (WTO).

The Case: The World Trade Organization

The WTO is a core institution in global economic governance, responsible for setting and enforcing the rules of the international trading system. It provides the institutional framework for the conduct of trade relations among its 157 member-states, encompassing every major economy and covering 97 percent of world trade (WTO 2011b). As Dadush (2009: 1) writes, the WTO is "an essential plank of globalization... The system of rules and trade disciplines embodied in the WTO represents a unique and hugely important underpinning of international economic relations." The WTO's rules have been compared to a constitution for the global economy (Ruggiero, former Director-General of the WTO, cited in McMichael 2004: 166). The scope of its authority is extremely broad:

> WTO law can directly affect national laws and regulations concerning the importation of goods and services, investment, intellectual property rights, telecommunications, financial services, government procurement, industrial policy, agriculture, and customs regulations. Moreover, WTO law indirectly affects almost all national regulatory laws and regulatory practices, including environmental law, consumer protection law, tax law, labor law, and so-called moral laws, such as regulation of gambling.(Shaffer, Sanchez, and Rosenberg 2008)

The WTO is thus a key site in the management of globalization (Odell 2006). It plays a central role in the construction of global neoliberalism, as it "defines the demarcation line between legitimate and illegitimate state intervention in the market."(Mortensen 2006: 172)

Since WTO commitments are legally binding on states and enforced by a powerful dispute settlement mechanism, it is one of the strongest and most important institutions of global governance. Unlike the G20-HOS, for example, which is an informal consultative forum for discussions amongst states, the WTO is a formal international institution whose agreements have the force of international law. While the G20-HOS is limited to issuing declarations, the WTO has the power to make rules that are binding on states and to enforce those rules through its dispute settlement mechanism. Because of its binding enforcement mechanism, the stakes at the WTO are high: outcomes can significantly constrain states' policy-making and deeply impact their commercial interests.

The WTO has been a key site of struggle over global power relations. It was one of the first significant international forums where developing country powers managed to disrupt traditional decision-making structures and secure a seat at the table. At the WTO, this occurred as early as 2003, far in advance of similar changes in the G8/G20, IMF and World Bank, which did not take place until 2008**.** For the purposes of analysis, this is a significant asset as much of the work to date on the new powers has been highly speculative **–** trying to predict what impact they are likely to have on global governance (e.g., Hampson and Heinbecker 2011; Layne 2009). Because the power shift at the WTO began so early compared to other governance institutions, it provides a concrete case where we can already analyze and asses the behavior of the new powers and their impact.

Furthermore, in many ways, the power shift that occurred at the WTO laid the groundwork for changes that later occurred in other institutions. The transformation that took place at the WTO was groundbreaking and had far-reaching reverberations, giving recognition to the new developing country powers as important actors in global economic governance and further delegitimizing other institutions that continued to exclude them from decision-making, such as the G8 and the IMF. The WTO therefore provides a critical case to examine in order to understand the current transformation occurring in global economic governance.

For over 50 years, the WTO system operated as a "rich man's club", dominated by the US and other advanced industrialized states (De Bièvre 2006; Drache 2004; Harvey 2005; Hurrell and Narlikar 2006; Jawara and Kwa 2003; Kapoor 2006; Kelly and Grant 2005a; Porter 2005; Raghavan 2000; Sell 2006; Steinberg 2002; Wade 2003). Agreements were typically negotiated amongst "the Quad" – the US, EU, Canada and Japan – and imposed upon the rest of the organization's membership effectively as a *fait accompli* (Kapoor 2006; Kelly and Grant 2005b; Mortensen 2006; Raghavan 2000; Steinberg 2002; Wade 2003). This small group of states carved out a trading order that suited their own interests, when necessary using substantial economic and political coercion to overcome the resistance of developing countries (Kelly and Grant 2005a; Narlikar and Wilkinson 2004; Porter 2005; Sell 2006; Weiss 2005). For most of the history of the multilateral trading system, developing countries were severely marginalized and their interests largely ignored (Steinberg 2002). In the last decade, however, a remarkable change has occurred at the WTO: the old "Quad" has been dismantled and instead Brazil, India and China have emerged as major players, joining the elite inner circle of WTO negotiations and displacing Canada and Japan (Warwick Commission 2008).

Methods and Research Design

The study focuses on the period from 1999 to 2010. In 1999, the failed Seattle Ministerial meeting marked a critical juncture for the WTO and can arguably be seen as the true start of the current Doha "Development" Round of negotiations. It was at

Seattle, as well as in the heated dispute between developed and developing countries immediately preceding it over selection of the organization's Director-General, that we first began to see signs of the growing power of developing countries and disruptions of traditional power structures at the WTO. The study centers on Brazil, India and China, as they are the three countries that have emerged as major powers at the WTO. Although Russia is frequently grouped together with these countries as one of the "BRICs" – a grouping derived from a 2001 report by the investment bank Goldman Sachs projecting these countries to be among the world's largest economies by 2050 – Russia has not been a member of the WTO and only joined the organization in 2011.

The study combines analysis at both the international and domestic levels: it involved examining the interactions of states within WTO, analyzing the foreign and trade policies of the new powers, and then digging deeper into the domestic social, political and economic forces within each of these countries that are driving their external policies and stances at the WTO. Rather than treating a given state as a unitary actor or a black box, or treating its interests at the WTO as a given, part of my objective is to open up that black box and look at the domestic forces and actors shaping its negotiating position at the WTO. I therefore began my research at the WTO in order to understand the transformation occurring there, and then went to each of the three countries at the heart of the study (as well as the US as the traditionally dominant power) in order to better understand the political economy dynamics within these states.

The study employs a qualitative approach drawing on 15 months of field research conducted at the WTO in Geneva, as well as in Beijing, New Delhi, Brasilia, Sao Paulo, and Washington between June 2007 and June 2010. This research involved in-depth interviews, ethnographic fieldwork, and analysis of a variety of documentary sources. I interviewed 157 WTO member-state delegates (ambassadors and trade negotiators) and other senior officials, Secretariat officials, and representatives of industry associations and other business lobby groups, non-governmental organizations, media, research institutes and think tanks. Interviews varied in length from forty-five minutes to three hours. Given the politically-sensitive nature of the material disclosed and the small diplomatic community from which interview respondents were drawn, respondents were guaranteed that their identities would be confidential and protected. Interview respondents are therefore not identified by name and every effort has been made to remove identifying information. For many officials, for example, their state affiliation has been omitted in cases where revealing such information could make it possible for others to identify them (most delegations to the WTO consist of only a handful of officials).

In addition to interviews, I conducted over 300 hours of ethnographic observation. While it is not possible to observe WTO meetings (which are highly secretive and take place behind closed doors, attended only by select member-state delegates and Secretariat officials), there are a large number of peripheral events frequently held in Geneva for WTO policy-makers and related actors. These include the annual WTO Public Forum, speeches, briefings, policy workshops, meetings, panel presentations, and conferences. Such events are organized and hosted by a variety of actors, including the WTO Secretariat, states, UN agencies, NGOs, research institutes, and think tanks. In addition to these events, I also had the opportunity for observation at more informal gatherings, such as receptions and dinners, key sites of professional networking within the Geneva diplomatic community. As a researcher, my access to policymakers and to these more informal settings was considerably enhanced by the fact I had previously worked as a trade official for a WTO member-state. In addition to providing an initial network of contacts, this conferred a degree of "insider" status that not only assisted in gaining access to policymakers but also led them to be more forthcoming in sharing sensitive information.

Interview and ethnographic data were supplemented with an analysis of a wide range of written materials and documents. I examined official WTO documents (such as reports of the Director-General and Negotiation Chairs, Ministerial declarations, draft texts, member-state negotiating proposals, and dispute settlement panel reports); member-state speeches, press releases, and media statements; WTO Secretariat documents (such as Annual Reports, World Trade Reports, speeches of the Director-General, press releases, policy papers, and public information documents); and news reportage. I also analyzed materials produced by other actors, such as industry lobbyists and NGOs, related to the WTO, including press releases, policy and position papers, websites, emails to supporters and other communications.

The methodology and research design employed in this study is informed by historical sociology. My analysis centers on the WTO as a particularly interesting and productive case to understand larger changes occurring in global economic governance. In contrast to the approach to historical sociology that advocates formal comparison between cases (such as by use of Mill's methods of agreement and difference) to isolate causal variables and identify general social laws (Skocpol 1984), my approach is motivated by critical realism, a view that emphasizes temporality and narrative, is centrally concerned with identifying causal mechanisms, but understands causality as conditioned by time and place (Bhaskar 1997 [1975]; Sewell 1996; Somers 1992; Somers 1996; Steinmetz 2005). I seek to develop an in-depth analytical narrative of a single important case, which allows for a much more detailed account than would be possible with an explicitly comparative research design (Krippner 2003).

The modes of analysis used in the study are both *causal* and *interpretive* (Krippner 2003). After establishing *whether* the influence of developing countries has risen at the WTO, I then set out to understand both *how* and *why* this has occurred, as well as to assess the *significance* of this development for the governance of neoliberal globalization.

This research design is also informed by Burawoy's (1992) "extended case method" – a method for using anomalous cases to refine, extend, and reconstruct existing bodies of theory. The rise of developing country powers at the WTO provides an interesting and highly fruitful anomaly when brought into dialogue with a number of theories of interest to sociologists and other social scientists, including theories of neoliberal globalization and hegemonic stability and transition in the international system.

Although the study is based on a single case design, as Ragin (1987) notes, a single case can be "comparative" by virtue of implicit comparisons. While not using an explicitly comparative research design, the study makes implicit historical comparisons in order to better elucidate the nature and meaning of the transformations taking place at the WTO over the last decade. To analyze the new power of developing countries at the WTO, the implicit point of comparison is the previous 50 years of the GATT/WTO when developing countries were largely marginalized from the governance of the multilateral trading system. Within the case of the WTO, comparisons are also draw among the new powers – Brazil, India and China – and between them and other countries that lack power at the WTO.

In the emerging scholarship on the "emerging economies" and their growing power in the global political economy, there have generally been two tendencies. One is to lump these countries together, for example, as "the BRICs", which tends to homogenize them and erase important differences between them and in their behavior. The opposing tendency has been to treat them entirely separately; for example, recent special issues on rise of the BRICs in a number of major journals (including *Global Governance*, *Politics*, *Polity*, *International Affairs,* and *Cambridge Review of International Affairs*) have all have taken the format of separate articles on each country. There has been little explicit comparison of the behavior of new powers in global economic governance or analysis of the interaction among them. I make this a focus of my analysis, seeking to compare their behavior and assess their interaction. This interaction, I contend, is essential to understanding the contemporary dynamics of global economic governance.

The Rise of New Powers at the WTO

I make three core arguments, regarding (1) the new power of these countries; (2) their behavior; and (3) their impact on the WTO.

First, contrary to those who argue that the US and other Western powers retain their dominance in the global governance institutions and that new powers have yet to exercise a real voice in these institutions, I argue that at the WTO, the new powers are in fact exercising considerable influence – they have indeed become a major "source of initiative" and had a significant impact on agenda at WTO.

In contrast to characterizations of current power shifts as a passing of hegemony from the US to China, my research shows that at the WTO the shift in power has been not just to China, but to Brazil, India and China. However, although the new developing countries powers are frequently grouped together (as the "BRICs", for example), I demonstrate that this masks considerable heterogeneity in their rise to power and behavior in international institutions like the WTO. It is widely assumed that the rise of the new powers is simply a reflection of their growing economic might; however, I argue that the forces driving their rise are more diverse and complex than suggested by a simple economic determinism and that these countries have in fact taken different paths to power. While China's rise has been more closely tied to its growing economic importance, for Brazil and India, their ability to build effective coalitions of developing countries and position themselves as leaders of the developing world has been key to their rise to power and enabled them to exercise influence beyond their economic weight.

I therefore argue that we need to pay greater attention to differences in the sources of power of these countries and that these differences also have important implications for their strategies and behavior at the WTO. In contrast to those who see China as the primary challenger to the US, I show that Brazil and India were the first developing countries to successfully challenge the US and they emerged as major players at the WTO several years *before* China. Moreover, I argue that despite their much smaller economies and roles in world trade, Brazil and India have been far more assertive and influential players at the WTO than China, in terms of their impact on the agenda and dynamics of the Doha negotiations and the negotiating texts themselves. Brazil and India have actively sought the leadership of developing countries, and assumed a relatively combative stance vis-à-vis the US and EU, as this has enabled them to elevate their status and enhance their influence. They have played a major agenda-setting role at the WTO and significantly shaped the dynamics and direction of the negotiations. In sharp contrast, however, if Brazil and India have sought eminence, China has sought anonymity. Although it is a member of many developing country coalitions, China has deliberately avoided any kind of leadership role, happy to leave that instead to Brazil and India. It has been remarkably quiet and assumed a low-profile, given the size of its economy and status as an export powerhouse. Unlike Brazil and India, China has sought to avoid drawing attention to itself and avoid prominence or any obvious projection of its power.

Contrary to those who see the new developing country powers as lacking in unity or leadership, I argue that in fact alliances have been critical for the new powers at the WTO: Brazil, India and China have needed to ally together, and secure the backing of the developing world more broadly, in order to effectively counter the traditional dominance of the US and EU. The new structure of power that has emerged at the WTO is multipolar, with the new powers engaged in balancing behavior vis-à-vis the US and EU. The situation at the WTO is now one in which the traditional powers – the US and EU – are faced off against the new developing country powers – Brazil, India and China. The two sides are evenly matched, such that neither side has been able to over-power the other and impose its preferences.

I argue that the consequence of these power shifts and the increased influence of new powers at WTO has been "multilateral disintegration." Contrary to what liberal international relations theory would predict, at the WTO, the emergence of new centers of power has created serious problems for multilateralism. However, this is not for the reasons predicted by either realism or the critical/world systems theory perspective. Although Brazil, India and China employ rhetoric strongly reminiscent of the era of Third Worldism, the agendas they are actually pursuing at the WTO fit solidly within – rather than challenge – the liberal trade paradigm. As their booming exports attest, these countries have been among the primary beneficiaries from liberalization of the global economy. Rather than rejecting the rules, norms and principles of the liberal trading system (as realists fear and critical theorists hope), the new developing country powers have embraced them, seeking to work within the rules and use them to their advantage. In effect, they have turned the WTO system against its originators, demanding further market liberalizing reforms from the US and its industrialized allies (in the case of Brazil), or revealing the hypocrisy of the traditional powers and refusing to yield to their demands (in the case of India and China).

The new developing country powers are thus challenging the hegemony of the US, but not the fundamental rules of the liberal international order. Yet the consequence of their challenge at the WTO has been a clash between the old and new powers – with each side demanding additional liberalization from the other but refusing to yield itself. This conflict between the old and new powers has been the defining feature of the Doha Round and, with the two sides in this struggle evenly matched, the outcome has been repeated stalemate. The WTO's project – its mandate – is to continually push forward the liberalization of trade and markets through progressive rounds of negotiations. These power shifts have brought that to a halt. The emergence of competing powers to counter-balance the traditional dominance of the US has resulted in the inability to pursue the continued progress of trade liberalization and economic globalization through multilateral governance institutions like the WTO. The impact of such power shifts has thus been profound: they have led to the stillbirth of neoliberalism at the WTO.

Dissertation Structure

The next chapter (Chapter 2) examines the neoliberal project of the WTO and historical power relations within the institution; it then shows that there has been a significant power shift and provides evidence of the increased importance and influence of Brazil, India and China. Chapter 3 examines why and how this power shift has occurred, arguing that for Brazil and India, their leadership of the developing world has been key to their rise to power and enabled them to exercise influence beyond their economic weight. Chapter 4 analyzes the new structure of power at the WTO and contends that it is multipolar and characterized by a balance-of-power situation in which the old powers – the US and EU – are faced off against the new powers – Brazil, India and China. Chapter 5 analyzes Brazil's position at the WTO and argues that it has pursued an agenda that fits solidly with the free trade agenda of the WTO. Chapter 6 contrasts Brazil with India and China, and explains why the latter two countries, although sharing similar interests in trade liberalization, have been less aggressive in pursuing their export interests at the WTO. The concluding chapter (Chapter 7) analyzes the impact of these power shifts, arguing that they have produced multilateral disintegration and the stillbirth of neoliberalism at the WTO.

CHAPTER 2

Neoliberalism and Shifting Power Relations at the WTO

A sharp chasm divides theories of globalization in the social sciences. Economists, perhaps not surprisingly, have understood globalization primarily in economic terms – as the increasing integration of the global economy, through the increased movement of goods, services and capital across borders (Bhagwati 2004b; Wolf 2004). This they see as driven by factors such as technological change (particularly advances in information and communications technologies and lower transportation costs) and innovations in management and production processes. Economists and others working in this tradition tend to see globalization as a purely economic process; they largely ignore its political aspects and pay little attention to role of actors in driving this process. Their vision of globalization is spontaneous and agent-less – the product of the ingenuity of markets and the magic of the invisible hand (Wolf 2004). This economistic perspective has helped give rise to widespread popular perceptions of globalization as a natural and inevitable force (Friedman 2004; Fukuyama 1992).

In sharp contrast, scholarship in sociology and political science has explicitly emphasized the political aspects of economic globalization. It has refuted the prevailing economic orthodoxy that globalization is a natural or inexorable force and instead shown it to be a *project*, driven by the choices and actions of agents and institutions (Atasoy 2009; Chorev 2008; Gill 2002; McMichael 2004). Globalization entails a restructuring of the global economy and the rules, norms and institutions that govern it. In this, it is as much a political as an economic process, involving political struggles, the establishment of new institutional and legal arrangements for the organization of markets (Chorev 2008; Fligstein 1994; Halliday and Osinsky 2006) and a legitimating discourse (Babb 2004; Bourdieu 1998; Gill 2002; McMichael 2004). A substantial body of literature on economic globalization has shown that this process originated in and has been driven by states and capital in the Global North, particularly the US as the dominant global political and economic power (Fligstein 2005; Mann 2001).

Over the last several decades, neoliberal globalization has been fuelled by the advance of an Anglo-American policy model that emerged in the Reagan and Thatcher years and spread globally as the “Washington Consensus”: privatization, deregulation, opening national economies to foreign trade and capital, and limiting the ability of the state to provide social and environmental protections. This has also entailed the restructuring of the global economic architecture in favour of deregulation and market liberalization, including increases in the scope and power of global governance institutions such as the WTO, IMF, and World Bank. These policy and institutional changes were legitimated by the spread of an accompanying neoliberal ideology and discourse (Bourdieu 1998; Chorev and Babb 2009; McMichael 2004). Market fundamentalism replaced the post-war Keynesian consensus as the dominant economic paradigm and – preaching with an almost religious zeal the power of free markets to bring efficiency, growth and prosperity – became the central justification for dismantling restraints on trade and capital flows. In the process, the role of multilateral economic institutions such as the WTO, IMF and World Bank was redefined: while their primary function was originally envisaged as ensuring global economic stability, it became reconceived as opening and expanding global markets.

The WTO has been seen as a key pillar of the neoliberal globalization project (Chorev 2007): pushing for the progressive removal of state-imposed barriers to trade and capital flows, forcing changes to domestic regulations to make them more friendly to foreign capital, and privileging the expansion of self-regulating markets over issues of development, poverty, human rights, and social and environmental protection. As the global hegemon, the US – in concert with the EU and other advanced-industrialized countries – has been the primary force behind the WTO's agenda. Within the multilateral trading system, the US has historically been the key driver of liberalization (Evans 2008; Harvey 2005; Helleiner 2001; McMichael 2004). As a result, the rise of new developing country powers to challenge the traditional dominance of the US raises the question of what such power shifts mean for neoliberalism at the WTO.

This chapter begins with an explanation of the origins of the WTO and its neoliberal agenda, goes on to discuss historical power relations within the institution, and finally provides evidence of current power shifts and the growing influence of Brazil, India and China.

The Origins and Creation of the WTO

Since the end of the Second World War, the international trading system has been governed first by the General Agreement on Tariffs and Trade (GATT) and later its successor the WTO. The GATT was an international treaty, originally signed in 1947. The GATT was in fact the outcome of a failed attempt to create an International Trade Organization (ITO). The mandate to begin negotiations on an ITO stemmed from the

Bretton Woods Conference in 1944, which brought together world leaders to craft a plan for post-war economic recovery and construct the architecture of the international economic system. Bretton Woods gave birth to the IMF and the World Bank, and the original intention was to create a third institution – the ITO – to govern trade. The GATT was to be a part of the ITO, and negotiations began on both in parallel. While the GATT was simply a treaty focused on reducing tariffs, the ITO Charter ultimately agreed to would have created an international organization to govern trade and with a much broader scope, including issues like full employment, fair labor standards, commodity agreements, economic development, and restrictive business practices. However, the creation of the ITO was scuttled by the US Congress which refused to ratify the agreement, fearing incursions into US sovereignty and influenced by domestic business groups who objected to the ITO's "exceptions to free market principles" (Baldwin 2006: 679). As a result of US opposition, the ITO was stillborn and the world was left instead with the GATT – a much narrower treaty focused on reducing tariffs and far weaker institutionally – to govern trade for most of the next half century. The multilateral trading system – both the GATT and now the WTO – works to gradually dismantle barriers to the free-flow of trade through successive rounds of negotiations to reduce tariffs, subsidies and other trade barriers and strengthen a variety of trade-related rules. There have been eight multilateral trade rounds concluded to date – the last being the Uruguay Round (1986-1994) which created the WTO in 1995.[1]

[1] Trade rounds are often named after the location at which they were launched, such as the Doha Round and the Uruguay Round.

Table 1: Multilateral Trade Rounds[2]

Year	Place/Name	Subjects covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-1961	Dillon Round	Tariffs	26
1964-1967	Kennedy Round	Tariffs and anti-dumping measures	62
1973-1979	Tokyo Round	Tariffs, non-tariff measures, "framework" agreements	102
1986-1994	Uruguay Round	Creation of the WTO, tariffs, non-tariff measures, rules, services, intellectual property, investment, dispute settlement, textiles, agriculture, etc.	123
2001-	Doha Round	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, agriculture, investment, competition, government procurement, implementation, trade facilitation, customs valuation, etc.	156

The WTO was established at the height of the neoliberal euphoria that gripped policymakers in the late 1980s and early 1990s – the period in which the "Washington Consensus" was in its zenith. The establishment of the WTO initiated a major transformation in the governance of the world trading system, which scholars have characterized as a shift from "embedded liberalism" (Ikenberry 1992; Ruggie 1983) to "neoliberalism" (Chorev 2007; Mortensen 2006). The GATT was a much narrower treaty with far weaker authority over participating states. The creation of the WTO involved both a deepening of the GATT and a dramatic expansion of trade rules into new areas, such as intellectual property, services, investment, agriculture, textiles and apparel, sanitary and phytosanitary measures[3], and technical barriers to trade. It also marked a

[2] Source: The GATT Years: From Havana to Marrakesh, available at http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm
[3] These refer to measures related to food safety and animal and plant health. They include issues such as the EU's efforts to ban genetically-modified organisms (GMOs) or hormone-treated beef.

significant shift in the trading regime away from simply reducing tariffs towards the development of rules with the potential to significantly impact domestic policies, institutional practices and regulations (Mortensen 2006; O'Brien and Williams 2004; Williams 2005). This included a movement towards policy harmonization, in areas such as subsidies, foreign investment and services (O'Brien and Williams 2004). In addition, the establishment of the WTO put in place a trade policy review mechanism and, perhaps most significantly, while the GATT had only limited power over its membership, the WTO came with a binding dispute settlement mechanism which gave its rules teeth. As a result, the WTO has one of the most powerful enforcement mechanisms of any international institution (Janow, Donaldson, and Yanovich 2008: 388). Finally, unlike the GATT, which was merely an international treaty, the WTO is a permanent, formal organization with a larger bureaucracy.

Under GATT, the pursuit of economic liberalism was "embedded" in social and political constraints. GATT promoted trade liberalization while still allowing considerable flexibility to states (what is now known as "policy space"). GATT allowed for policies "intended to cushion the domestic sphere from the destabilizing effects produced by international market liberalization."(Mortensen 2006: 172) It provided room, for example, for states to pursue Keynesian policies directed at maintaining full employment and the postwar welfare state, as well as for developing country governments to intervene in their economies to pursue national development strategies (Chorev and Babb 2009; Ostry 2007). GATT rules primarily targeted policies "at the border" (such as tariffs) and did not interfere significantly with the autonomy of national governments and internal domestic policy-making. However, the new reach of WTO rules “beyond the border” (as well as their accompanying enforcement mechanism) was intended to close off many of these prior flexibilities and significantly constrain national policy-making.

In addition, GATT enforcement procedures were designed to be *deliberately* weak – they were non-binding and states could refuse to comply – thus ensuring that states were not forced to open up markets unwillingly (Mortensen 2006). While GATT dispute settlement relied on diplomacy, the shift to the WTO involved the ‘legalization’ of trade disputes: its enforcement mechanism is binding and uses non-elected panels of trade experts to arbitrate disputes and impose sanctions on states. The WTO’s dispute settlement system has raised major concerns about democratic accountability. Dispute settlement panels are charged with interpreting WTO rules and arbitrating between countries, and as such enjoy tremendous authority (Mortensen 2006: 172). The power of these panels, which are made up of appointed trade lawyers and experts, can supersede that of democratically-elected member states. Their decisions can force the reversal of national laws, and have done so in controversial cases dealing with issues such as environmental protection. The WTO’s design entails a delegation of authority from states to a multilateral institution and its dispute settlement panels, intended to insulate the market from political forces (whether in the realm of national or inter-state politics). While under the GATT the market was subordinated to politics, the intent of the WTO is the reverse: to “free” the market from politics (both within and between states), by constraining the state and weakening political control over the market.[4]

[4] As James Bacchus (2004: 31), a former member of the appellate body, has written, the WTO works by a “reverse consensus” rule, whereby a ruling in WTO dispute settlement is adopted automatically unless *all* of the Members agree that it should *not*. Such a situation would effectively never occur, as it would mean that the winning party in a trade dispute would have to agree to set aside its own victorious judgement.

The creation of the WTO elicited strong reactions from both sides of the ideological spectrum. Neoliberal proponents of efforts to limit the range of state intervention in the market celebrated the creation of the WTO. In a statement, for example, the WTO Secretariat lauded the establishment of the WTO's "rules-based system" for giving "primacy to markets and not governments in determining economic outcomes." (WTO 1998) However, opponents of neoliberalism – including many critical academics and non-governmental organizations – expressed fierce criticism of the expanded scope and authority of the WTO. They feared that WTO rules obligate states to intervene to protect private property rights and the rights of foreign capital, while severely constraining their ability to intervene to advance social, environmental, economic, or industrial policy objectives. A diverse range of civil society actors were concerned about the effects of WTO policies and trade liberalization on issues such as human rights, inequality, the environment, labor standards, and health, and its potential conflicts with efforts to combat global poverty and foster economic and social development. Civil society advocacy directed at the WTO grew throughout the late-1990s and ultimately exploded onto the streets in the so-called 'Battle of Seattle' – the massive protests in opposition to the effort to launch a new round of trade negotiations at the 1999 WTO Ministerial Meeting, widely seen as the "coming-out party" for the anti-globalization movement (Munck 2007). The WTO thus generated considerable excitement among both the proponents and critics of neoliberalism.

Under the GATT, by comparison, countries were not required to submit to dispute settlement and could be sued in a particular dispute only if they agreed. In addition, there was no assurance that rulings in dispute settlement would be binding. A losing party in a dispute could single-handedly block the consensus needed to adopt a ruling. With such a weak enforcement system, the GATT was sometimes derided as the "General Agreement to Talk and Talk".

Yet the creation of the WTO was intended to be only the first step in its path towards liberalizing trade, opening markets, and restructuring the global economy along neoliberal lines – ensuring the free flow of goods, capital and labor, protecting private property rights and the rights of foreign capital, while severely constraining the ability of states to intervene to advance social, environmental, national development, or industrial policy objectives. The establishment of the WTO was intended to lay the foundation for further liberalization; subsequent rounds of trade negotiations were intended to move the world closer to creating a single, seamless global market. The Uruguay Round agreement even included a "built-in agenda" on agriculture and services: although the Uruguay Round brought these areas into the multilateral trading system for the first time, the actual degree of liberalization it occasioned was quite limited, prompting negotiators to include provisions mandating countries to begin new negotiations to further liberalization in these sectors.

An assessment of the Uruguay Round agriculture agreement, for example, found that although it did make existing trade barriers more transparent, "for *most* commodities, there will be little actual liberalization."(Ingco 1995) The Uruguay Round had two key impacts: (1) it required almost all import restrictions that did not take the form of tariffs, such as quotas, to be converted to tariffs – a process known as "tariffication," which affected more than 30 percent of products; and (2) it required countries to "bind" tariffs on all agricultural products (ie., commit not to raise their tariffs beyond a specified level). However, the rates at which many countries agreed to bind their tariffs, or reduce their already-bound tariffs, were significantly higher than the actual tariff rates they were currently applying. This meant that many countries did not actually have to reduce their applied tariffs at all, and in fact, could even choose to raise them later (constrained only by the maximum limit set by their bound rate). In addition, the Round did not even touch many of the "worst" trade distortions, such as import subsidies, export taxes, state-trading monopolies, and domestic policies that implicitly tax agriculture. Thus, according to this study, the Uruguay Round's objective "to reverse protectionism and remove trade distortions" had not been achieved in practice, "at least not until further reductions are carried out in future rounds of negotiations." (Ingco 1995)

The Uruguay Round which created the WTO represented not the realization of the neoliberal project, but only its beginning. The creation of the WTO was intended to provide the forum and framework for the construction of global neoliberalism within the realm of trade, broadly defined.

The Workings of the WTO

The WTO differs from other major international organizations, such as the UN, IMF and World Bank, which have large bureaucracies and substantial administrative or programmatic functions. The WTO is primarily a member-driven organization, with limited administrative or bureaucratic functions; its central function is to provide a forum for the negotiation of multilateral trade agreements among its member states and a mechanism for the settlement of disputes arising from those agreements. As Krueger (1998: 14) describes, the WTO is "a rules-making and rules-enforcing organization." The organization includes a small Geneva-based bureaucratic Secretariat which is charged with facilitating its work and providing technical and administrative assistance.[5]

[5] The WTO Secretariat is comprised of approximately 600 staff. By comparison, the World Bank employs over 10,000 staff, the IMF 2,500, and the UN 60,000.

Trade rounds are punctuated by periodic meeting of trade ministers ("Ministerial Meetings" or "Ministerials"), where key decision-making often occurs. Most of the negotiating work takes place at the officials-level at the WTO in Geneva, where states are represented by delegations of negotiators and other trade officials. Since the Uruguay Round, trade rounds have been structured as a "single undertaking": although there are concurrent negotiations on all different aspects of the final agreement (manufactured goods, services, agriculture, intellectual property, etc), ultimately all issues must be agreed together as one package ("nothing is agreed until everything is agreed"), making possible trade-offs across different areas of the negotiations.

The organizing principles of the WTO stem from two seemingly contradictory ideologies – liberalism and mercantilism – which yield it a somewhat schizophrenic aspect. The liberal economic theory which animates the WTO and provides the basis for its collective project of liberalization asserts that a country automatically gains from reducing its trade barriers (through lower prices for consumers, increased competition and improved efficiency, etc.), regardless of whether other countries do the same. However, in practice, states are highly reluctant to lower their trade barriers, fearing the political costs from domestic interest groups who benefit from those barriers. States want to be able to show their constituencies sufficient "gains" to offset the "costs" of opening their markets. While the overarching thrust of the WTO is liberal, bargaining between states takes on a mercantilist character. Negotiations at the WTO work on the basis of a reciprocal exchange of concessions – countries agree to open their markets in exchange for other countries doing the same ("I'll agree to lower my tariffs on X, if you'll agree to lower your tariffs on Y.") – and countries typically try to minimize their own concessions while maximizing those of their trading partners. These two competing discourses of liberalism and mercantilism thus coexist (somewhat uncomfortably) at the WTO.

Formally, agreements at the WTO are reached on the basis of consensus and each member is afforded an equal vote ("one member, one vote"). On its face, this appears remarkably democratic compared to other international institutions such as the IMF and World Bank, where voting shares are determined by a country's economic size and financial contribution. However, despite the purported principal of equality among states at the WTO, its workings are highly structured by power asymmetries. As Kelly and Grant (2005a: 2) state, "The WTO is not free of power politics… the old maxim, that the strong do what they will and the weak do what they must, still applies." Its decision-making process has thus aptly been described as "organized hypocrisy," with the principles of consensus and the sovereign equality of states serving as "procedural fictions" to legitimize outcomes at the WTO (Steinberg 2002: 342). The most powerful states nonetheless dominate decision-making. In practice, the most important negotiations at the WTO take place in small group meetings of key states (called "Green Room" meetings in the jargon of trade negotiators) (Moore 2003: 128-131).[6] Once an agreement is reached among this core group, it is then extended out to the rest of the organization's membership. The composition of this group is determined informally, by the participants or the Director-General, but it constitutes the elite inner circle of the WTO. Membership in the inner circle is a key marker of power at the WTO: it is these

[6] The term "Green Room" originated from the color of the wallpaper in the small conference room next to the Director-General's office, where such meetings frequently take place. Although the wallpaper has long ago been replaced, the name and institution of informal, elite, small-group meetings remain central to the governance of the WTO.

countries that are the key players at the WTO and exercise the most influence over the negotiations.

Historical Power Relations at the WTO

For nearly its entire history, from its inception in 1948 to the start of the new millennium, the GATT/WTO was dominated by the US and a small group of other rich industrialized states (De Bièvre 2006; Drache 2004; Harvey 2005; Hurrell and Narlikar 2006; Jawara and Kwa 2003; Kapoor 2006; Kelly and Grant 2005a; Mortensen 2006; Porter 2005; Raghavan 2000; Sell 2006; Steinberg 2002; Wade 2003). Agreements were typically negotiated among "the Quad" – the US, EU, Canada and Japan – and imposed upon the rest of the organization's membership effectively as a *fait accompli* (Kapoor 2006; Kelly and Grant 2005a; Mortensen 2006; Raghavan 2000; Steinberg 2002). The rich countries carved out a trade order that suited their interests based on their own stage of development (Kelly and Grant 2005a; Porter 2005; Weiss 2005). For most of its history, GATT privileged liberalization in manufactured goods, in which these countries had a competitive advantage, while the areas of primary interest to developing countries (agriculture and textiles) were effectively excluded. GATT conformed so exclusively to the interests of developed countries, that it was known as "the rich man's club" (Adams 1993). Developing countries were on the sidelines of the governance of the multilateral trading system and their interests severely marginalized (De Bièvre 2006; Finger and Schuler 2000; Kapoor 2006; Porter 2005; Sampson 2000; Steinberg 2002).

The very creation of the WTO was itself the product of a negotiated compromise between the US, Canada, and the EU: the US sought to add a more rigorous enforcement mechanism to the GATT, and in exchange Canada and the EU insisted on the establishment of a permanent organization – the WTO – to oversee not only the dispute settlement mechanism but the functioning of the entire system (Mortensen 2006). Driven by changes in the structure of their economies and the nature of their competitive advantage, the US and EU aggressively pushed the expansion of trade rules into the new areas of services, intellectual property and investment – all areas where their industries were world leaders.

This expansion of WTO rules came at significant cost to developing countries. It is estimated that sub-Saharan Africa alone was made worse off by $1.2 billion as a result of the Uruguay Round (UNDP 1997). The TRIPS agreement, for example, requires the tightening of intellectual property rules in the developing world. Since most patentable intellectual property is produced by wealthy countries and almost all patent royalties (97 percent) accrue to those countries, TRIPS is expected to result in a massive transfer of resources – over $40 billion per year – from poor to rich countries when fully implemented (Gallagher 2008; Shadlen 2005; Wade 2003). This has prompted the economist Jagdish Bhagwati, a noted advocate of free trade elsewhere, to describe TRIPS as effectively creating a "tax" that developing countries must pay to developed (Bhagwati 2004a). In addition, and perhaps most significantly in the long-term, the new WTO rules made illegal many of the industrial policy instruments that were essential to the economic development of the wealthy industrialized countries themselves as well as successful new developers like the NICs ("newly industrialized countries", such as South Korea and Taiwan) (Chang 2002; Wade 2003).[7] Although developing countries were strongly

[7] The WTO agreement on investment (TRIMS), for example, limits the restrictions that states can put on foreign investors, a traditional cornerstone of countries' strategies to promote economic development (Wade 2003). The TRIPS agreement prevents states from designing intellectual property rules to promote technological development (Shadlen 2005; Wade 2003).

opposed to the expansion of WTO rules into these new areas, they were forced to consent due to significant economic and political coercion from the US and EU (including the threats of unilateral trade sanctions and withdrawal of their existing access to these markets) (Finger and Schuler 2000; Gallagher 2008; Porter 2005; Sell 2006; Wade 2003).

There were also less-obvious costs to developing countries from the Uruguay Round. The Round included extensive “beyond the border measures” intended to harmonize national regulatory and legal systems. This required most developing countries to undertake major changes and upgrading in the institutional infrastructure of their economies. Developing countries took on obligations to implement significant reforms across many areas of domestic regulation (such as technical, sanitary and phytosanitary standards and intellectual property law). Such regulatory and institutional changes are extremely costly in terms of both human and material resources, and many argue that developing countries grappling with major economic and social welfare challenges have better uses for their limited resources than seeking to bring their regulatory and legal systems into line with those of the advanced-industrialized countries (Chang 2002; Finger and Schuler 2000).

The Uruguay Round did incorporate two areas of considerable importance to developing countries: agriculture and textiles and clothing. However, as Sylvia Ostry as eloquently written, the supposed “Grand Bargain” of the Uruguay Round for developing countries – which was that they would gain improved access to the rich country markets in agriculture and textiles and clothing in exchange for agreeing to the new issues of services, IP and investment measures – was more accurately “a Bum Deal” (Ostry 2007). Although the Uruguay Round brought agriculture into the GATT/WTO system for the first time (it had been effectively excluded from the previous seven rounds of negotiations), it was actually the US that was behind this effort to bring agriculture under WTO rules, seeking to limit EU support for its agriculture sector (which had exploded in the 1980s) and gain better access to its market. The basis for the new WTO Agreement on Agriculture came from private negotiations between the US and EU and the agreement they reached in the so-called Blair House Accord, which did little to address the concerns of developing countries. As described above, ultimately the liberalization in agriculture produced by the Round was minimal and the results for developing countries were especially disappointing. Liberalization in textiles and clothing was slightly better with a promise to end the Multi-Fiber Agreement (MFA) in 2005, but most of the liberalization was backloaded (ie., restrictions were to be eliminated later rather than sooner). Moreover, for most developing countries, the elimination of the MFA was more than offset by the impact of competition from Chinese exports in textile and clothing markets around the world (Ostry 2007). The Uruguay Round outcome thus included "a serious asymmetry between North and South" (Ostry 2007); or as one developing country official characterized it, a serious "imbalance between the obligations assumed and the benefits that accrued to developing countries."[8] One developing country observer described it as follows: "We felt we came out of the Round with empty pockets. We had our list of what we wanted and they had theirs. They got almost everything on theirs and we got almost none of ours."[9]

The Uruguay Round – and other broader trends sweeping the globe at that time – marked a key turning point in how developing countries related to the WTO.

[8] Interview, May 2010.
[9] Interview, May 2010.

Historically, although many developing country members sought to actively engage in and shape the GATT, they were effectively excluded from key negotiations and their efforts overpowered by the US and other dominant powers (Wilkinson and Scott 2008). The interests of developing countries were thus neglected and left off the table for most of the history of the GATT and developing countries were largely pushed to the side and ignored.

As early as the 1950s, concerns began emerging in the developing world that its share of world trade was declining and it was not profiting from post-war economic order. Concurrently, a new school of economic thought began to emerge from the Global South – centered on dependency theorists such as the Brazilian sociologist Fernando Henrique Cardoso and the work of the Argentine economist Raul Prebisch (who later went on to serve as the founding Secretary-General of UNCTAD) – which became highly influential in shaping developing country objectives and activism in global economic governance. This new analysis challenged the principle of comparative advantage which formed the basis for the dominant neoclassical economic theory of trade, which stated that a nation should specialize in producing and exporting the goods in which it had a relative advantage compared to other states. Instead, it argued that developing countries were locked into an international economy divided into a core of developed economies producing manufactured goods and a periphery of developing countries producing primary products, with the terms of trade stacked against developing countries (who were trapped exchanging cheap primary products for expensive manufactured goods) and worsening over time. At the national level, this led many developing countries to adopt policies focused on promoting development through import-substitution industrialization

(ISI). At the international level, it informed the developing countries' assessment of what was wrong with the international economy and the changes that were needed to enable poor countries to develop: it was the structure of the global economy itself that impeded their development and therefore fundamental structural changes were needed at the global level in order for poor countries to be able to develop (Adams 1993).

With GATT tightly controlled by the advanced-industrialized countries, developing countries went outside that institution to try to pursue their objectives in other forums, specifically the United Nations, where their majority in the General Assembly from the 1960s onwards gave them greater sway. They drove the creation of a new institution under the UN umbrella in 1964 – the UN Commission on Trade and Development (UNCTAD) – over strong opposition from Western industrialized countries, who preferred the GATT (which they controlled) as the sole forum for managing international trade. The developing countries used UNCTAD to try to press for major changes to the international economy and reform of the international trading regime was one of their principal objectives (Bair 2009). Since the primary products that many developing countries are dependent on exporting are vulnerable to severe price fluctuations and long periods of depressed prices, they sought intergovernmental commodity agreements (including the creation of buffer stocks) to reduce fluctuations in commodity prices and change the terms of trade between primary commodities and manufactured goods (Adams 1993). In this way, they hoped to use such commodity agreements to produce an income transfer from industrial to developed countries (Adams 1993). In addition to commodity agreements, developing countries also sought a system of trade preferences for their industrial exports (free entry of manufactured exports from developing countries to the developed country markets for a period of time) to correspond with their domestic strategies of infant industry protection (Adams 1993). They also pursued major financing for development, debt renegotiation and relief, and technical assistance. Developing country activism culminated in the 1970s in calls for the creation of a New International Economic Order: "a thorough restructuring of international economic relations and for a major shift in the distribution of economic power and benefits favourable to the developing countries." (Adams 1993: 119) The NIEO included principals and objectives such as: increasing the net transfer of resources from North to South to ensure an adequate flow of real resources to the developing countries (including through international monetary reform and grants to development), regulation of the activities of multinational corporations, full sovereignty over natural resources and all economic activities within a state, the right to nationalization, facilitating the role of producer associations, and transferring technology from North to South (Mortimer 1984).

Not surprisingly, the US and other states of the Global North – who had been the creators and prime beneficiaries of the existing international economic order – were fiercely opposed to such efforts at change. Ultimately, the efforts of developing countries were thwarted and blocked by a stalemate with the Northern powers. Then the international debt crisis began in the early 1980s, plunging many developing countries into economic crisis in which they faced major balance of payments problems, soaring inflation, and an inability to meet their international debt obligations. A neoliberal revolution swept the globe – reshaping both ideology and policy – as the crisis faced by developing countries supposedly revealed the failure of the ISI model and many developing countries were forced to turn to the IMF and World Bank for loans that were conditional on their adoption of economic reform and liberalization programs to eliminate state intervention in markets ("structural adjustment programs," or SAPs). In the realm of trade, this translated to the ascendance of the neoliberal trade paradigm and the negotiation of the Uruguay Round agreement. UNCTAD faded to irrelevance – although it continues to exist as a UN agency, it has adopted the dominant liberal trade paradigm and its role has been largely reduced to producing reports on trade and development issues from within that paradigm.[10]

The rise of neoliberalism fundamentally changed the dominant way of thinking about development and its relationship to trade (McMichael 2004). Previously, most developing countries had pursued development primarily as a national project, embracing a central and active role for the state in fostering industrialization and strong inward-looking domestic markets through policies such as import-substitution industrialization (ISI). However, from being centered largely on insulating the national economy from international trade pressures, within the new paradigm development came to be reconceptualised as increasing a country's participation in the global economy through enhanced trade. Globalization itself became a development strategy: developing countries were told underdevelopment was the result of insufficient integration into global markets and that trade and exports provided the path to development. The solution to the development problem was therefore for countries to liberalize and open their markets, removing state intervention in markets, privatizing functions previously

[10] Indicating the contemporary ideological affinity between the two entities, the current Secretary-General of UNCTAD – Supachai Panitchpakdi – assumed that post after serving as Director-General of the WTO.

performed by the state, and "freeing" markets to facilitate the efficient movement of goods and capital (McMichael 2004).

These broader ideological and policy currents, combined with their experience of the Uruguay Round, changed how developing countries related to the WTO. The Uruguay Round was the first to fully bring developing countries into the GATT/WTO system and require them to undertake commitments. Of the eight trade rounds held under GATT auspices, only the final Uruguay Round was agreed to by all participants. In previous rounds, most developing countries had not been involved in the reciprocal exchange of concessions or required to undertake commitments. Countries could pick and choose which parts of the agreements they would sign on to, giving developing countries access to *de facto* exemptions. But with the Uruguay Round, all agreements applied to all participating countries. By signing onto the significant commitments required of them in the Uruguay Round, developing countries were supposedly to reap the benefits of full integration into the multilateral trading system.

However, in the years following the Uruguay Round, there was growing dissatisfaction amongst developing countries about its outcome, as developing countries both came to see the full costs of the commitments they had undertaken and to realize how little they were getting in return. Many of the problems of the Uruguay Round agreement for developing countries took time to become apparent: hampered by a lack of expertise and technical capacity, many developing countries had not fully understand the implications of the agreement they were signing onto, which only became fully apparent when it came time to implement the commitments that had been made.[11]

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[11] Interviews with developing country negotiators, September 2008 – June 2009. See also (Page 2003).

Power imbalances in the Uruguay Round were exacerbated by significant disparities in the financial and organizational resources and distribution of knowledge and expertise among states (Blackhurst *et al* 2000; Jawara and Kwa 2003; Moore 2003; De Bièvre 2006; Mortensen 2006; Sell 2006). The Uruguay Round negotiations were highly technical and extremely complicated (the final agreement, for example, totaled over 10,000 pages). As Sylvia Ostry (Ostry 2007: 29) describes, the complexity of WTO negotiations "requires knowledge and knowledge enhances power. The strong are stronger because of their store of knowledge and the weak are weaker because of their poverty of knowledge." As Mortensen (2006: 179) indicates, "influence on WTO governance requires extensive organizational resources and legal expertise." Yet many developing countries were severely under-resourced and suffered an acute lack of expertise and capacity (a situation which continues today for most developing countries). This lack of technical capacity contributed to the disadvantaged position of developing countries in the Uruguay Round. Technical capacity refers to their knowledge of trade law and economics and their ability to engage with GATT/WTO rules, legal texts, and negotiating documents, conduct legal and economic analysis, and make policy proposals in the context of negotiations and dispute settlement. As one negotiator explained, "in this game, either you have the technical capacity or people will take your wallet."[12] Many developing countries ultimately came to believe that they were taken advantage of in the Uruguay Round – effectively duped into signing an agreement against their interests – in part because they lacked the expertise to fully understand what they were

[12] Interview conducted March 2009.

signing on to and its implications (this even includes countries such as Brazil and India, who have far more capacity than most developing countries).[13]

Even as it was being negotiated, some developing countries had grave concerns about aspects of the Uruguay Round and worked vigorously to block all or parts of the agreement, but were ultimately unsuccessful. For instance, a coalition of developing countries – the G10, led by Brazil and India – bitterly opposed the so-called new issues – trade in services, intellectual property and investment – and sought to block their inclusion in the round (Ostry 2007). However, in the end, the coalition unravelled in the face of external pressures from the US and EU. Following the Uruguay Round, when many developing countries found themselves deeply dissatisfied with the results of the round, they placed considerable blame on their inability to maintain coalition unity, which had significantly weakened their negotiating power vis-à-vis the US and EU. In the words of one G20 member, "the problem we had in the Uruguay Round was the lack of solidarity and unity of developing country members."[14] A Secretariat official seconded this assessment, "one thing coalitions lacked in the past was the ability to keep people in line and not to fall prey to divide and rule tactics."[15] Their experience of the Uruguay Round thus led developing countries to place enhanced emphasis on maintaining unity in the face of the traditional powers.

As one senior developing country official stated, "the Uruguay Round changed our approach to the institution."[16] After the Uruguay Round, there was much more at stake for developing countries in the multilateral trading system. Many developing

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[13] Interviews with developing country negotiators, Geneva, September 2008 – June 2009, and with Indian officials, New Delhi, March 2010 and Brazilian officials, Brasilia, May 2010.
[14] Interview with G20 member, Geneva, May 2009.
[15] Interview with WTO Secretariat official, March 2009.
[16] Interview, May 2010.

countries began to pay far more attention to the WTO, as they came to recognize the significant impact it could have on them and their policies. As one negotiator stated,

> "We virtually had no commitments under GATT. We had these large carve-outs that basically allowed us to do almost anything we wanted. So that meant very few people in government, in the decision-making process, had anything to do with or knew much about the GATT. Now [following the experience of the Uruguay Round] the government itself has promoted a huge amount of research and technical work. They realized its importance. The situation is very different now. We've been latecomers but now we're catching up."[17]

Moreover, while developing countries had largely been ignored under the GATT, many came to perceive themselves as victimized by the WTO and Uruguay Round agreements. The sense of being treated unfairly, and even cheated, in the Uruguay Round has had a substantial impact on the behaviour and rhetoric of developing countries at the WTO. It made developing countries as a whole far less trusting and more cynical about the intentions of the traditional powers; among developing countries it created a widely held belief that the wealthier countries were hypocritical – they would bend or violate the liberal trading system's "rules of the game" when it suited their purposes. As one advisor to the Indian government stated, "We were blind men being led by some so-called wise people from the West. We agreed expecting big gains, but we didn't get them. Now we're wiser."[18] The Uruguay Round fueled widespread discontent among developing countries and growing resistance to their marginalized position within the institution. As described in Chapter 3, this was also something that Brazil and India could capitalize on in seeking to build their power at the WTO.

[17] Interview, New Delhi, March 2010.
[18] Interview, New Delhi, March 2010.

Rising Developing Country Activism at the WTO

Tensions between developed and developing countries began to grow in the post-Uruguay Round period. Almost immediately after the WTO was established, the US, EU and other developed countries began pushing to expand its scope further. At the First Ministerial Meeting of the WTO in Singapore in 1996, Northern states pressed for new negotiations to begin on what would come to be known as the "Singapore Issues" – competition, investment and government procurement – which would harmonize rules on regulating monopolies, protect foreign investors and open up government procurement to foreign competition. For their proponents, these were seen as a necessary progression of the Uruguay Round. Countries from the Global North also raised the prospect of linking environmental and labor standards to existing WTO agreements. For their part, developing countries were just beginning to realize the full extent and implications of the commitments they had undertaken in the Uruguay Round and discover the difficulties they would have in implementing those commitments. They were strongly reluctant to negotiate additional agreements and instead wanted the WTO to focus on the significant problems they were identifying in the implementation of the Uruguay Round agreements. The "implementation issues" advanced by developing countries represented an attempt to rebalance the Uruguay Round grand bargain by, for example, extending transition periods in TRIPS and investment; increasing technical assistance; removing tariffs for the exports of the poorest countries; and providing substantially better access for textiles and clothing (Ostry 2000). In addition, developing countries were fiercely opposed to bringing environmental and labor standards into the WTO, which they feared were a thinly disguised form of protectionism directed against their exports. At the Singapore

Ministerial, developing countries expressed growing dissatisfaction that they were once again excluded from the core negotiations and decision-making process and that the Ministerial was dominated by the issues driven by the major powers to the exclusion of addressing any of their concerns regarding implementation issues (Inside U.S. Trade 1996).

By 1999, mounting developing country discontent translated into a heated contest over selection of the organization's next Director-General, split along North-South lines. Led by the US, most Northern states pushed for appointment of Mike Moore, a New Zealander with strong pro-free trade and pro-US leanings. Most Southern states were strongly opposed; instead, they argued that, for the first time, the organization should be led by someone from the Global South and pressed the candidacy of Supachai Panitchpakdi of Thailand. It became a lengthy and bitter dispute with the two sides deadlocked and unable to reach agreement; in an unprecedented move, the decision was ultimately made to split the six-year term of appointment between the two candidates.

The 1999 Seattle Ministerial Meeting followed shortly on the heels of this dispute. It was intended by some – the WTO Director-General Mike Moore, the Secretariat and the major developed countries – to launch a new round of negotiations, dubbed the "Millennium Round." For their part, developing countries strongly opposed the launch of a new round of negotiations, arguing that there should not be a new round when their concerns from the last one had still not yet been addressed. Although the Seattle Ministerial became infamous for the massive street protests it provoked (the "Battle of Seattle"), as once observer remarked: "the demonstrations in the street were the show, but the main action was what was taking place behind the show [in the negotiating rooms].”[19] The protests succeeded in disrupting the negotiations, but the true cause of their breakdown lay among the negotiating parties themselves. Once again, the traditional powers tried to proceed as they always had – driving forward with their own agenda, blithely ignoring the concerns expressed by developing countries, most of whom were not even allowed into the negotiating room. Not only did the developed countries press forward with their plans for a new round, they also continued to advance the Singapore Issues and US President Bill Clinton made statements to the press about imposing labor standards through the WTO that provoked a massive reaction from developing countries. The Ministerial ended in collapse when virtually all the developing countries walked out in protest (Ostry 2007). Nor was this the sole factor contributing to breakdown – there were also significant divisions among the developed countries themselves, especially between the US and EU on agriculture.

The Seattle failure left a major mark on the WTO. As one close observer stated: “We were all in a state of total shock after Seattle. There was a sense of an institution adrift.”[20] The WTO Secretariat, US and others were gravely concerned that if a new round of negotiations could not be launched, it would jeopardize the entire future of the WTO. As then-Director-General Mike Moore later wrote: “A second failure would have fatally weakened the WTO… The multilateral system, not just a Round, was at stake.” (Moore 2003: 111, 125) They feared that the WTO would be seen as ineffectual and become irrelevant. This fear of another failure led to intense efforts to ensure agreement on the launch of a new round at the next Ministerial Meeting in Doha, Qatar in 2001. The Director-General and the key countries pushing for a new round – the US and EU –

[19] Interview with industry representative, January 2009.
[20] Interview with business representative, January 2009.

needed to secure the support of developing countries in order to obtain the consensus required by WTO rules to launch a new round.

Developing countries remained highly resistant to begin a new round of negotiations, especially one which included the Singapore Issues, and instead sought for the implementation issues associated with the Uruguay Round to be addressed. The Tanzanian President, Benjamin Mkapa, expressed this as follows:

> What is needed is not to rush into a new round, but assisting poor nations to build up a capacity that will make them participate effectively in the global trading system, as earlier pledged by developed nations...We do not see any logic for the urgency being placed on fresh talks by developed countries. (Agence France Press 2001)

Despite this reluctance, the timing of the Doha Ministerial – which took place in November 2001, in the immediate aftermath of the 9/11 terrorist attacks on the US – made it politically very difficult for developing countries to oppose the US. George W. Bush uttered his infamous foreign policy dictum – “You’re either with us or against us” – just days before the Ministerial began. Even American negotiators have since acknowledged that 9/11 placed significant pressure on developing countries to go along with the agreement to show solidarity with the US.[21] In addition, the US and EU once again used substantial arm-twisting to convince developing countries to sign on to the launch of a new round of trade negotiations that they fiercely opposed; in this case, for example, the promise of an exemption allowing the African, Caribbean and Pacific (ACP) countries to maintain their trade preferences in the EU market – which they faced

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[21] See, for example, remarks of former US Trade Representative Charlene Barshefsky, interviewed in the International Herald Tribune 2007.

losing under existing WTO rules and would have devastated their exports – was used to force many countries to agree to the new round (Wolfe 2004).[22]

In an attempt to further bolster support for the round, its proponents labeled it the Doha "Development" Round. Following the Seattle breakdown, DG Mike Moore told his officials in a candid moment: "We've got to get this fuckin' show back on the road. And no way are we going to be seen as just bumbling along with the fuckin' built-in agenda [on agriculture and services, rather than a comprehensive new round of negotiations]. We've got to re-brand!" (quoted in Blustein 2009: 82) As Moore later publicly stated: "After Seattle, I could see how the deal could be done. I knew we had to have a development agenda which addressed developing country needs."(Moore 2003: 112) Its proponents thus used the promise of "development" to sell the Doha Round. The Doha Ministerial Declaration states that "developing countries' needs and interests" will be at "the heart" of the new round. In addition to its "development" label, the Ministerial Declaration launching the round included the words "development" and "developing" a total of 63 times in its ten pages and 52 paragraphs (Deardorff and Stern 2003).[23] As Deardorff and Stern (2003) observe, "the Doha Declaration certainly pays lip service, at least, to economic development."

This emphasis on trade liberalization as a means to foster development accorded with neoliberal development paradigm which had by then become dominant. If development was the result of a country's increasing integration into the global economy through the removal of trade and other barriers, then multilateral institutions like the

[22] Non-reciprocal preferences arrangements, such as those the EU grants to the ACP countries, are considered in violation of WTO rules unless a waiver is obtained from the other WTO members. The ACP countries would therefore likely have lost these preferences had the waiver not been obtained.
[23] For comparison, "WTO" appears 38 times and "trade" 65.

WTO that were furthering the advance of trade liberalization suddenly became seen as "development institutions." In the words of DG Moore (2003: 172-3),

> the WTO has emerged as one of the most important international institutions for development… [Developing countries] need more trade liberalization, not less… Trade liberalization is key to developing countries, not just because it opens markets, but, more importantly, because it makes their own economies stronger and more efficient.

Then-US President George W. Bush likewise lauded the start of the new round: "This bold declaration of hope by the World Trade Organization (WTO) has the potential to expand prosperity and development throughout the world and revitalize the global economy..." (Agence France Press 2001). Such claims were accompanied by World Bank estimates released for the Doha Ministerial that projected massive gains from the Round: it predicted that an ambitious trade deal would increase global income by as much as $830bn in 2015, with two-thirds of the benefits going to developing countries, and lift 320 million people out of poverty (Blustein 2009: 213). These figures provided potent ammunition for politicians, trade ministers, and commentators – such as USTR Zoellick and DG Mike Moore – seeking to gain support for the round. As Paul Blustein has written, by cloaking itself in the mantle of development, "the WTO could attract support from both the Left, which was sympathetic to the grievances of developing countries, and the Right, which wanted to encourage low-income nations to see trade rather than aid as their salvation." (Blustein 2009: 82)

Many of the key figures involved – including then-Director-General Mike Moore, US negotiators, and others – have since publicly acknowledged that the purported emphasis on development was primarily an exercise in branding designed to get the developing countries on board, rather than reflecting any real commitment to development or willingness to make meaningful concessions (see, for example, Blustein 2009). As former US Trade Representative Charlene Barshefsky has publicly stated: "The round was launched on essentially false pretenses."(Altman 2007) Privately, many Secretariat officials and developed country negotiators confide that the development label has itself created significant problems: as one stated, "I wish we could do that one all over. It was thrown in there to sell this package and now we're stuck with it. It's completely screwed everything [the Round] up. It created big expectations. And I don't think we can kill a round that's got the word 'development' on it."[24] Although primarily a public relations exercise, the claim that a new trade round would foster development became one of its central justifications.

Power Shifts: The Rise of New Powers

Historically, the inner circle at the WTO has been comprised of "the Quad" – the US, EU, Canada and Japan. Even the start of the Doha Round looked much like previous rounds, with the negotiations centered on "the Quad" and the US and EU in the driver's seat. As described above, the launch of the round was driven by the US and EU in spite of considerable resistance from developing countries (see also Narlikar and Tussie 2004; Wolfe 2004). Over the course of the Doha Round, however, a significant transformation has taken place at the WTO. After 2003, the Quad vanished, replaced instead by a series of core negotiating groups centered on the US, EU, Brazil, and India. Brazil and India effectively displaced Japan and Canada from the elite inner circle of WTO negotiations:

[24] Interview, March 2009.

the "old Quad" was replaced by the "new Quad." These four states have been at the heart of the negotiations since then. Beginning in 2008, they were also joined by China.[25]

This change in the composition of the inner circle at the WTO was far from superficial but reflected a major change in power relations. Brazil, India and China have not only joined the inner circle, but exercised significant influence on the negotiating agenda and core debates in the Doha Round. As one Secretariat official stated, "In the old days, it was a very simple game: you had the US and EU, with Canada and Japan on the sidelines. If the US and EU didn't want it to happen, it wouldn't and if they did, it would."[26] However, the rise of the new powers brought an end to the US and EU's "cartel over agenda setting and compromise brokering" (Evenett 2007). As Ostry (2000) describes, if the old GATT system was best characterized as a "bicycle built for two" with the US in the front seat and the EU in the back,

> The current WTO is more like a bus careening down a hill with many drivers... In the past, the United States always drove the negotiations… Today, even if the United States and the European Union did try to demonstrate some leadership in the Doha Round, the developing countries would not let them set the agenda and drive the negotiations. Those days are over.

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[25] The composition of this inner circle has taken different forms, with various peripheral members at times included or excluded, but since 2004, the US, EU, Brazil and India has been the core states and their participation has been a constant. In 2004, for example, the FIPS, or "Five Interested Parties" – the US, EU, Brazil, India, and Australia (representing the Cairns Group of agricultural exporting countries) – emerged as the core negotiating group (ultimately negotiating the 2004 "July Framework" that formed the basis for all future negotiations in this round). By 2005/06, Japan was brought back in and the core negotiating group became known as the G-6. By the summer of 2007, the "extras" were dropped and the core players – the US, EU, India and Brazil (the "G-4") – met amongst themselves in Ministerial-level meetings in Potsdam, Germany, in an effort to break the impasse in the negotiations (an effort that ultimately failed in a storm of media coverage and recriminations thrown back and forth from both sides). After the spectacular breakdown at Potsdam, and the apparent inability of the majors to break the deadlock amongst themselves, they sought to bring other players in to try to change the dynamic in the Green Room and get some movement in the negotiations. At the Ministerial meeting held in Geneva in July 2008, the group was broadened out to include China, Japan, and Australia (a group that came to be known as the "G-7"); ultimately this effort too resulted in breakdown, based on differences between the US, India and China.

[26] Interview with WTO Secretariat official, March 2009.

Instead, Brazil, India and China have become key players whose assent is essential to securing a Doha Round agreement: in the words of one negotiator, “now you can’t conclude any deal at the WTO without them.”[27] Providing a developing country perspective, an Indian official expressed it thus: “If this was the Uruguay Round, they’d have bottled it and made you swallow it by now.”[28] Although the US and EU drove the start of the round, Brazil, India and China have not only managed to defend themselves effectively against the traditional powers, but have also been active in asserting their own demands and challenging the trade policies of the developed countries. As a result, the Doha Round has taken shape largely as a confrontation between the developed countries – led by the US and EU – and the developing countries – led by Brazil, India and China.

The rise of these new powers fundamentally altered the dynamic and agenda of the Doha Round. Agriculture has been at the center of the Doha Round from the beginning, as one of the least liberalized sectors of global trade (which was only brought under WTO disciplines in the last round). When they began, the primary dynamic in the negotiations centered on a struggle between the US and the Cairns Group of agricultural exporters, on the one hand, and the EU and Japan, on the other (Clapp 2007), with the former pressing the latter to reduce their trade distorting policies in agriculture. Leading up to the start of the new round, for example, the *Financial Times* identified its primary fault line as follows:

> The US and the Cairns Group regard liberalisation of trade in agriculture as the core of the forthcoming WTO talks, expected to last about three years. They are pressing for ministers in Seattle to agree detailed market-opening objectives, including subsidy and tariff cuts, with the eventual goal of treating farm goods like any other merchandise. However, this has

[27] Interview with negotiator, May 2009.
[28] Interview, New Delhi, March 2010.

> been strongly resisted by the European Union and Japan, backed by some other nations with high farm trade barriers. (*Financial Times* 1999)

At that time, the negotiations continued to center on the Quad, as they had historically, and developing countries were seen as relatively marginal players. Furthermore, as one negotiator stated, "at the start of this round, the US saw itself in an offensive position. It had no idea it would be a target on agriculture. But now it has become the key focus of the negotiations."[29] Over the course of the round, however, the dynamics of the negotiations changed completely. A central factor in this was the emergence of the Group of 20 (G20) at the Cancun Ministerial Meeting in 2003 – a coalition of developing countries led by Brazil and including India, China and many other large emerging economies among its membership, which launched an attack on rich country agriculture subsidies (the G20 is discussed in detail in Chapters 3 and 5). For the first time, the US – the key aggressor in all eight previous trade rounds – found itself on the defensive, while developing countries assumed the role of *demandeurs* (those seeking liberalization from others). Agricultural subsidies in the US and EU became a central focus of the negotiations and the Doha Round was transformed into a struggle between developed and developing countries, with the conflict ultimately centered on the balance of concessions to be made between the US and EU, on the one hand, and Brazil, India, and China, on the other. By 2005, the *Financial Times'* characterization of the round was almost unrecognizable from that it provided six years before:

> The basic trade-off that would be at the heart of a successful conclusion to Doha is already clear: the rich nations – the EU, US, Japan and Canada – would reduce protection on agriculture in return for more access to the goods and services markets of the developing world, mainly big emerging market countries such as Brazil, India and China... [Much of the debate] has focused on the export subsidies paid by rich nations to their farmers,

[29] Interview with WTO negotiator, May 2009.

> which depress global food prices and undercut poor countries' farmers. (*Financial Times* 2005)

Brazil, India and China have thus been at the center of the Doha Round negotiations. Moreover, although the US, along with the EU, drove the start of the round, the US has been put in an increasingly defensive and reactive position as the round has progressed. It has also been increasingly isolated, as the EU has shown a greater willingness to concede to the demands of the new powers (such as agreeing at the 2005 Hong Kong Ministerial to the G20 demand that it eliminate its export subsidies (WTO 2005)).

While the final outcome of the Doha Round is uncertain and certain issues remain subject to considerable dispute, states have already agreed on 80 to 90 percent of what would constitute the final deal (former EU trade commissioner, Leon Brittan in BW.2011-03-02). Trade negotiations occur not in one fell swoop, but as a series of smaller steps towards a final agreement. Over the course of the Doha Round negotiations, areas of agreement among states have been progressively expanded and areas of disagreement whittled down. We can chart the progress of the negotiations in what has been agreed so far (know as the "acquis" and consisting of the 2004 July Framework Agreement and 2005 Hong Kong Ministerial Declaration), as well as in the evolution of the draft modalities (draft agreements for each area of the negotiations that are currently on the table and effectively constitute the blueprints for the final deal) and negotiating Chairs' reports (indicating the issues in the negotiations that have been agreed to among states and those which continue to be subject to disagreement). Although the future of the Doha Round remains uncertain, it is evident that the new powers have significantly shaped the content of any prospective agreement.

The influence of the new powers is evident in their success in both blocking the traditional powers and advancing their own agenda. Going into the current round of negotiations, developed countries such as the US and EU were seeking to add labor and environmental standards to WTO agreements, which developing countries feared could be used to limit their exports. The US and EU also sought to continue the expansion of the WTO's mandate with the addition of the Singapore Issues – competition, investment and government procurement – which would harmonize rules on regulating monopolies, protect foreign investors and open up government procurement to foreign competition.[30] Developing countries were strongly opposed to the inclusion of the Singapore Issues in the Doha Round, as well as to the inclusion of labor or environmental provisions. Under the leadership of India, particularly, they succeeded in forcing these issues off the negotiating table. In addition, intense opposition from developing countries – led by Brazil, India and South Africa – prevented the US and EU from pursuing the expansion of intellectual property rules ("TRIPs-Plus") at the WTO. Given the historical precedent at the WTO, where developing countries have been forced into agreements against their interests, their ability to thwart the US and EU represented a significant achievement.

The new powers have not only blocked the traditional powers, but also become a source of initiative in their own right. They have been successful in putting issues of importance to them at the center of the negotiations. As mentioned above, agriculture has been one of the main points of contention in the Doha Round (Bussolo, De Hoyos, and Medvedev 2011; Nuetah, Zuo, and Xian 2011), due to the lack of liberalization in the sector, as well as its economic significance for many developing countries and

[30] The forth issue introduced at the Singapore Ministerial – trade facilitation – is considered broadly in the interests of developing countries and is an issue that many support; it has remained part of the Doha Round negotiations.

politically-sensitive nature in many developed countries (with active and politically powerful agricultural lobby groups eager to maintain the high degrees of protection they enjoy in the sector). Under the leadership of Brazil, the G20 has had a significant impact on the negotiating agenda: not only has the G20 made agricultural subsidies a central issue in the round, but the draft negotiating texts since Cancun have substantively reflected many of its proposals. The G20 has secured: the adoption of a tiered formula for reduction of subsidies ("domestic support"), ensuring that countries that provide the most support are required to make the biggest reductions, as well as stiffer criteria for cutting domestic support, such as product-specific caps; substantial reductions in domestic support (compared to historical bound levels), with the EU cutting its overall trade distorting support (OTDS) by 80 percent and the US by 70 percent; a commitment to eliminate export subsidies and impose parallel disciplines on export credit and food aid (among its key demands); non-extension of the Peace Clause (protecting developed country farm programs from WTO challenges), countering the long-standing position of the US and EU; and a "tiered" formula for reducing tariffs, rather than the "blended" formula sought by the US and EU (WTO 2008).

Also in agriculture, India has led the fight for a "special products" (SPs) exemption that would allow developing countries to shield some of their products from tariff cuts as well as a "special safeguard mechanism" (SSM) that would allow developing countries to raise tariffs in response to an import surge. Both measures are intended to enable developing countries to protect food security, rural livelihoods and rural development. Despite substantial opposition from the US, EU, and other developed countries, India and the G33 coalition of developing countries with defensive concerns in agriculture succeeded in putting special products and the SSM onto the negotiating agenda and secured a commitment that they will be part of the final Doha agreement.

Led by Brazil, India and China, developing countries have also secured significant special and differential treatment (SDT) provisions. In both the agriculture and manufactured goods negotiations, they secured considerably weaker tariff-reduction formulas for developing countries, compared to developed, along with substantial flexibilities for developing countries to enable them to further protect their markets. As a result, the tariff reduction commitments – and thus the degree of liberalization – that would be required of developing countries from the Doha Round are extremely limited. Indeed, one observer described them as "nearly inconsequential." (Dadush 2009: 4) Developing countries have therefore been able to carve out significant policy space within a prospective Doha agreement to enable them to pursue their economic development objectives; indeed, provisions related to the SSM that would allow them to breach their commitments made in the Uruguay Round could allow them to claw back and expand policy space they had previously lost in the international trading system. At the same time, developing countries would nonetheless enjoy improved access to developed country markets due to the stricter formula and fewer flexibilities that would force those countries to make meaningful cuts in their tariffs.

In addition to significantly shaping the negotiating agenda in the Doha Round, developing countries – led by Brazil, India and South Africa – secured important victories on the issue of limiting WTO rules governing intellectual property to ensure access to essential medicines (such as HIV/AIDS drugs) in poor countries. Despite strong opposition from the US and EU and their pharmaceutical corporations, developing countries secured an agreement signed at the start of the Doha Round in 2001 declaring that the WTO rules governing intellectual property (the TRIPS agreement) should not prevent governments from acting to protect public health, as well as a waiver in 2003 allowing the export of generic drugs to developing countries that lack domestic pharmaceutical manufacturing capacity.

Compared to the Uruguay Round – when developing countries were railroaded into an agreement that trampled their interests – the change in the Doha Round has been profound. The major developing countries now have the power to resist an unbalanced deal and, for the first time, to successfully make meaningful demands of developed countries. If anything, the new powers – specifically Brazil and India – have seized the reigns and been driving the agenda at the WTO. Since Cancun, the US and other advanced-industrialized states have been largely reactive – they have repeatedly been on the back foot, always trying to respond to the demands of developing countries and had little success in advancing their own. As one Secretariat official stated, "the US has not been leading this organization in quite a while."[31] This rebalancing of power has shifted the terms of a prospective WTO agreement; it has changed the nature of the bargain to be struck and the balance of concessions among states necessary to secure a deal. The US and other Northern states can no longer impose and extract what they want at will from the developing world. They can no longer impose the type of deeply imbalanced deal that they did in the Uruguay Round, for example, and are now being forced to extract less from the Global South and being called upon to make real concessions of their own. As a result, this has significantly reduced the potential gains to the US from the Round and increased the costs.

[31] Interview with WTO Secretariat official, March 2009.

The tables have turned: the US government and its business and farm lobby groups are now the ones complaining that the proposed Doha Round agreement is unfair and unbalanced *against them*. Based on the way the deal has taken shape – with what it perceives to be weak tariff-reduction formulas and excessive flexibilities for the large emerging economies – the US has come to believe that the terms of the agreement has turned against it and that, from its perspectives, the costs of the agreement could outweigh the gains. According to the US Ambassador to the WTO, for example, “the round is currently imbalanced.”(Bridges 2010) The US National Manufacturers Association expressed the following criticism of the draft agreement on manufactured goods (“NAMA”):

> The “Swiss Formula” that advanced developing countries are entitled to use is so full of holes it is more properly called “The Swiss Cheese Formula.” It severely imbalances the NAMA negotiations for the United States, requiring major cuts in US tariffs but only minor cuts in the applied rates of the advance developing countries. (NAM 2008)

Similarly, the head of the American Farm Bureau has complained that, while the US is being made to reduce its subsidies, its hopes for market access in agriculture “have been continually whittled away.”(quoted in Blustein 2009) In a 2008 letter to then-President Bush, leaders from both parties in the House and Senate committees responsible stated that “the negotiating texts currently on the table would provide little or not access for US goods.”(US Congress 2008) From the US perspective, based on the deal on the table, they would be making all the concessions and gaining little in return. Specifically, the US believes that it would be required to significantly cut its tariffs on industrial and agricultural goods and agricultural subsidies, while gaining little new access to foreign markets for its exports. As one US negotiator put it, “we’d be giving everything and getting nothing."[32] As a result, beginning particularly with the 2008 Ministerial, the US has pushed aggressively for additional concessions from the large developing countries – including their participation in aggressive liberalization in specific manufacturing sectors of interest to the US ("sectorals"), such as chemicals and machinery, and a special commitment from China that it would agree to limit the use of its flexibilities in agriculture (keeping key items of interest to the US – cotton, wheat and corn – off their list of special products which would be shielded from full tariff cuts). However, Brazil, India and China have refused such demands and successfully resisted efforts to force them into more liberalization.

While the EU more quickly adapted to the new power balance at the WTO – and shifted to "negotiating with diminished expectations" (Young 2007) – the US has fiercely resisted this new reality. It has worked hard to "rebalance" the deal – to make it more favorable from its perspective – by trying to force the large emerging economies to undertake greater liberalization commitments. In this effort, the US has had the tacit support of other advanced-industrialized countries, such as the EU, Canada and Australia, but these countries have been far more subdued in their criticism of the large emerging economies. Although they have been quiet allies behind-the-scenes, the US has largely been left on its own to lead the charge against the emerging economies.[33] One business representative, for example, complained, "the EU has been rather secondary because the US has been doing it [fighting the new powers] for them."[34] Negotiators suggest that the EU – who was a major target at the start of the round – is relieved that pressure has

[32] Interview with negotiator, April 2009.
[33] Interviews with negotiators, September 2009-June 2010.
[34] Interview with business representative, January 2010

shifted to the US.[35] The US has been backed into a corner: confronted with an agreement it is dissatisfied with, it has been left isolated and on the defensive. The impasse between the US, on the one hand, and Brazil, India and China, on the other, has brought the Doha Round to a standstill. For this breakdown, the US has found itself a key target of blame: it is now widely seen as “the main stumbling block” to the conclusion of the Doha Round (Bridges 2009).

Beyond the Doha Round negotiations, the new developing country powers have also become major users of the WTO dispute settlement system, using existing WTO rules to discipline the traditional powers. One of the most striking examples of this is the landmark dispute settlement cases Brazil launched in 2002 against US cotton subsidies and EU sugar export subsidies. Brazil won both cases in 2005, and their impact was profound. They marked the first time that a developing country had successfully challenged developed country agricultural subsidies. As a result, the EU was required to reform its sugar support programs to eliminate the offending export subsidies. The US was forced to eliminate its most egregious cotton subsidies and pay Brazilian farmers $147 million per year until it fully reforms its cotton subsidy programs in the next farm bill; should it fail to do so, Brazil was granted the right to impose over $800 million in retaliatory trade sanctions against US goods, pharmaceuticals, and software. Moreover, Brazil’s victories revealed major inconsistencies between US and EU agriculture policies and WTO rules. As one report to US Congress stated, ‘a review of current US farm programs measured against these criteria suggests that all major US program crops are potentially vulnerable to WTO challenges.’(CRS 2006) Brazil’s success in the disputes

[35] Interviews with negotiators, September 2009-June 2010.

demonstrated the vulnerability of developed country farm programs and has raised the prospect that they could be subject to a wave of WTO dispute settlement challenges.

The cotton and sugar cases were among the most dramatic and publicized cases at the WTO, but beyond these, Brazil, India and China have become among the most active and frequent users of the WTO dispute settlement system. Collectively, they have made extensive use of existing WTO rules to challenge efforts by Northern states to restrict their exports, initiating a combined total of 23 cases against the US and 16 against the EU. They have challenged a wide range of trade and other policies, including: trade remedies (safeguards, anti-dumping and countervailing duties), sanitary and phytosanitary (SPS) standards, rules of origin, customs rules, environmental regulations, patent rules, excise taxes, subsidies, the enforcement of intellectual property rules, import duties, and tariff preferences.[36] The new powers have thus become major users of the dispute settlement system to challenge and discipline developed country trade policies.

Brazil, India and China have made extensive use of existing WTO rules to advance their interests and they have had a major impact on the current Doha Round negotiations. Their influence is all the more striking in light of the historically marginalized position of developing countries at the WTO and the little or no impact they have had on the terms and substance of previous agreements. The rise of the new developing country powers has destabilized the traditional power structure at the WTO, brought an end to the US and EU cartel over agenda setting and compromise brokering, and put their trade policies at the center of the Doha Round.

[36] As of February 2010. Source: WTO Dispute Settlement Database.

CHAPTER 3

Different Paths to Power: The Rise of Brazil, India and China at the WTO

The current shifts in global power relations have been identified as one of the most important transformations in modern history (Ikenberry 2008; Jain 2006; Warwick Commission 2008). However, despite the significance of this phenomenon, the factors driving the rise of these new developing country powers have received little explicit analysis. It is widely assumed that the rise of new powers in global economic governance is simply a reflection of their growing economic might (see, for example, Arrighi 2007; Cooper and Schwanen 2009; Emmott 2008; Ferguson 2006; Hung 2009; Jacques 2009; Jain 2006; Zakaria 2008). Cooper and Schwanen (2009), for example, state that current changes in global governance reflect an effort "to adapt institutions to shifting global economic power." Emmott (2008: 17) sees the "economic rise" of new powers as "lead[ing] to a commensurate transfer of political power." Indeed, this view is so widespread as to be effectively taken for granted as common sense among both academics and policymakers. One result is that attention to shifting power in the international system has overwhelmingly focused on China, which is widely seen as the key rising new power and challenger to the US, based on its large economy, rapid growth rates, major role in world trade, and considerable financial power (see, for example, Arrighi 2007; Babones 2011; Beeson 2009; Breslin 2010; Gu, Humphrey, and Messner 2008; Hung 2009; Ikenberry 2008; Jacques 2009; Jenkins 2008; Jisi 2011; Kynge 2006; Li 2011; Pearson 2006; Robinson 2011; Strange 2011; Subramanian 2011b).

In this chapter, I analyze both the rise to power and behavior of Brazil, India and China at the WTO. Although the new developing country powers are frequently grouped together (as the "BRICs", for example), I show that this masks important variation in their sources of power and behavior in international institutions like the WTO. In contrast to the widespread assumption that the rise of new powers is simply a reflection of their growing economic might, I argue that the forces driving the rise of new powers are more diverse and complex than suggested by a simple economic determinism and that these countries have in fact taken different paths to power. While China's rise has been more closely tied to its growing economic importance, the rise of Brazil and India has been driven primarily by their mobilization and leadership of major developing countries coalitions, which have enabled them to exercise influence far above their economic weight. One important result is that Brazil and India, despite their relatively small economies and limited roles in world trade, have been far more assertive and influential players in WTO trade negotiations than China.

The Rise of Brazil and India

Brazil and India's leadership of the developing world – and particularly the Group of 20 (G20) developing country coalition – is critical to understanding their rise of power at the WTO. The emergence of the G20 at the Cancun Ministerial Meeting in 2003 marked a critical juncture at the WTO – one which ultimately upended its traditional power structure and catapulted Brazil and India into the inner circle of power. Prior to the Cancun Ministerial – intended to be an important milestone in the progress of the Doha Round – the US and EU reached an agreement among themselves and put forward a joint proposal on agriculture. The US-EU proposal sparked a strong reaction from developing countries, who saw it as highly unbalanced – an attempt to get them to lower their trade barriers, while at the same time allowing the US and EU to maintain most of their subsidies – and feared a repeat of the previous Uruguay Round when a private compromise between the US and EU served as the basis for the ultimate agreement and obliterated the hopes of developing countries for making gains in the round.

The Cairns Group, a mixed group of developed and developing countries with export interests in agriculture led by Australia and including Canada and Brazil, had been a key negotiating group during the Uruguay Round, pushing for agricultural liberalization, and might have been expected to challenge the US-EU proposal.[37] However, Australia was then in the midst of negotiating a bilateral free trade agreement with the US, which according to other negotiators left it "completely neutered in dealing with the US."[38] It soon became clear that the Cairns Group was content to let the US and EU run the show in the agriculture negotiations and was not going to significantly challenge their proposal.

In advance of Cancun, however, Brazil and India joined forces to mobilize a Group of 20 (G20) developing countries to oppose the US-EU agriculture proposal. The group represented over half the world's population and two-thirds of its farmers.[39] The G20 united around the issue of agriculture subsidies and the high tariffs developing countries face in rich country markets, criticizing the US-EU proposal for not doing enough to address these issues while nonetheless demanding increased market opening

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[37] The Cairns Group consists of 19 members: Argentina, Australia, Bolivia, Plurinational State of, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Uruguay

[38] Interview with WTO Secretariat official, May 2009.

[39] The members of the G20 currently include Argentina, Brazil, Bolivia, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Tanzania, Uruguay, Venezuela, and Zimbabwe.

from developing countries. Significantly, the G20 not only came together as a blocking-coalition to reject the EU-US offer, but, driven primarily by Brazil, it also arrived at Cancun with a carefully formulated counter-proposal (Burges 2009; Narlikar and Tussie 2004; Narlikar and Wilkinson 2004). Beyond its formal membership, the G20 also had broad support from other developing countries within the WTO. As a result, the Cancun Ministerial took shape as a dramatic battle between developed and developing countries and ultimately ended in collapse, with the G20's refusal to accept the US-EU proposal a central factor in the breakdown.

The consequences of Cancun were profound, producing what one Ambassador described as "a tectonic shift at the WTO."[40] Following the emergence of the G20 at Cancun, the US and EU realized that it would be impossible for them to get a Doha deal without the agreement of Brazil and India as representatives of the G20 and developing countries more broadly. Their leadership of developing countries in opposing the US and EC thus launched Brazil and India into inner circle of negotiations. Suddenly, they became key players who were essential to breaking the stalemate and securing a deal. The result was that, in the words of one WTO Secretariat official, the "creation of the G20 completely imploded the Quad,"[41] and Brazil and India displaced Japan and Canada from the inner circle.[42] This was despite the fact that Japan and Canada, as well as several other developing countries (including China, Mexico and South Korea) had far larger economies and more significant roles in world trade than either Brazil or India.[43]

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[40] Interview with Ambassador, May 2009.
[41] Interview with WTO Secretariat official, March 2009.
[42] Interview, March 2009.
[43] Japan's economy was about seven times larger and Canada's 50 percent larger than those of Brazil and India. Among developing countries, Mexico and Korea each had economies bigger than Brazil and almost identical to India. Moreover, China's economy was more than twice as big as India and almost three times bigger than Brazil. In addition, these countries are all far bigger traders than either Brazil or India.

Brazil and India's strategic coalition-building enabled them to punch above their economic weight. In addition, the Cairns Group, which had previously been one of the most important negotiating blocs at the WTO, was left struggling for relevance, while the "G20 came to lead the show."[44]

In addition to shifting the balance of power at the WTO, Brazil and India's leadership of the G20 also fundamentally altered the dynamic of the Doha Round negotiations and their substantive agenda. Cancun marked the end of era in which the US and EU could drive the negotiating agenda at the WTO. The negotiations were transformed into a struggle between developed and developing countries. For the first time, developing countries had real ammunition to go on the offensive against the rich countries – particularly the US and EU – and target their agricultural and trade policies. The developing country coalitions led by Brazil and India had a profound impact on the negotiating agenda, successfully putting issues like rich country agricultural subsidies and market access (G20), as well as special safeguards and flexibilities for developing countries (provisions advanced by another developing country coalition, the G33, discussed below), at the center of the negotiations. Following the emergence of the G20, as well as the G33, agriculture became identified as the crucial issue in the Doha Round, with progress in all other areas of the negotiations linked to it. As described in Chapter 2, although the future and final outcome of the Doha Round remains uncertain, these coalitions have significantly shaped the content of any prospective agreement; since Cancun, the negotiating texts have substantively reflected many of their proposals. This

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Although Brazil is emerging as a significant agricultural exporter, it is not a major trader overall – Brazil accounts for only about 1 percent of world trade. India's share of world trade is only slightly greater.

[44] *Ibid.*

represents a dramatic departure from the past, when developing countries had little or no influence over the shape of GATT/WTO agreements.

The Relationship between Brazil and India: A Marriage of Convenience

The G20 is rooted in an alliance of Brazil and India – one which is remarkable given the different negotiating positions of the two countries. Brazil has major offensive interests in agriculture, as a leading agricultural exporter seeking to expand markets for its exports. It is expected to be among the biggest winners from the Doha Round and has been one of its strongest supporters (Polaski 2006). Brazil has actively worked to construct an image of itself as a leader of developing countries – fighting to hold developed countries accountable to WTO rules and pushing them to liberalize their markets. In addition to driving the G20 attack on rich country agriculture subsidies, Brazil successfully waged two landmark disputes against US cotton subsidies and EU sugar export subsidies, which marked the first time that a developing country had used the WTO to challenge developed country agricultural subsidies. Brazil's victories revealed major inconsistencies between US and EU agriculture policies and WTO rules and raised the prospect that they could be subject to a wave of future WTO challenges. Despite Brazil's major agro-industrial interests in these areas, the two cases – and the subsidies issue more broadly – were widely portrayed as a struggle of poor, developing country farmers against the rich countries and fostered an image of Brazil as a hero of the developing world taking on the traditional powers in a David-and-Goliath-like struggle.

In contrast to Brazil's export interests, India's negotiating position more closely resembles that of most developing countries at the WTO. It has a weak agricultural sector consisting primarily of peasant farmers, who are highly vulnerable to trade liberalization. Its rural poor also form an important political constituency with considerable weight in domestic politics. India thus has significant defensive concerns in agriculture, as well as manufacturing. India has historically been a leading voice among developing countries at the GATT/WTO, fiercely resistant to efforts by the US and other advanced-industrialized countries to force developing countries to open their markets. In the words of one of its former negotiators, "India always only entered into any [GATT/WTO] negotiation kicking and screaming."[45] In the preceding Uruguay Round of negotiations, for example, India was a strident (though ultimately isolated and unsuccessful) opponent of an aggressive push by the US and EU to expand trade rules into the new areas of services, investment and intellectual property – issues which it correctly forecast would impose significant costs on developing countries. India strongly opposed the launch of the Doha Round, arguing instead that implementation issues and other lingering problems for developing countries from the Uruguay Round needed to be dealt with first. Like Brazil, there is considerable domestic pressure for India to assert itself on the international stage and play a bigger role at the WTO, but in India this pressure comes most strongly from its peasant farmers who want to maintain barriers to protect them from imports. Also like Brazil, India has actively (and very successfully) worked to construct itself as a leader of developing countries, although the nature of its leadership differs. India has portrayed itself as standing up for and defending the interests of developing countries against the US and industrialized countries who seek to gain access to their markets. According to one observer: "If India wasn't there, we'd have had this deal long ago and with no protections for developing countries."[46] If Brazil

[45] Interview with former Indian negotiator, May 2009.
[46] Interview with NGO representative, May 2009.

is chiefly seen as *advancing* developing countries' *offensive* interests (in favor of liberalization), India is chiefly seen as *defending* developing countries' *defensive* interests (against liberalization).

Although they share the leadership of the G20, Brazil and India thus have very different interests in the negotiations and to some extent are also competing with one another for the leadership of the developing world. Yet, despite their differences, both Brazil and India saw the strategic value of an alliance. Brazil came to the Doha Round seeking to make significant gains in agriculture. But it recognized that it lacked sufficient power operating alone and needed allies. In the words on one of its negotiators, Brazil was well aware that "we needed a credible blocking coalition to start playing [the game at the WTO]."[47] Prior to Cancun, Brazil had started to look at and study ways to form new coalitions, but it had been biding its time waiting for the right moment, which the developing country furor over the US-EU agriculture proposal provided:

> We began to flirt with the idea that a grouping of developing countries might have something to say. But it was not possible or viable until the opportunity had arisen and this was the joint EU-US agreement trying to replicate the Blair House deal that ended the Uruguay Round. [Prior to that] developing countries were still divided. There wasn't the enabling conditions that would allow us to turn this potential of a coalition into a reality… the group was only made possible by the movement of the EU and US [their agriculture proposal].[48]

However, given its major export interests, Brazil risked being perceived as a threat by most developing countries. An alliance with India – the leading champion of the defensive interests of developing countries – was therefore of considerable tactical importance to Brazil. In the words of one of its negotiators, "we realized we needed to

[47] Interview with negotiator, May 2009.
[48] *Ibid*.

reach out to India… [we saw India as] a goddess that needed to be attracted for us to have any credibility with developing countries. For us it was a clear strategic move."[49] For Brazil, the alliance with India played a critical role in enhancing its credibility with developing countries.

The alliance was equally vital for India. India has long been one of the most active states in resisting efforts by the advanced-industrialized countries to extract concessions from developing countries. But, in previous rounds, and even at the start of Doha, India had often been left isolated in its opposition to the US and other advanced-industrialized states and unable to hold out against their demands. As one negotiator stated, "The thing developing countries fear most in the negotiations is isolation."[50] Being isolated reduces a state's power and leaves it vulnerable. The US has frequently sought to isolate India and paint it as the lone "troublemaker" objecting to and blocking agreement. This is an unenviable position, as at the WTO, to quote one negotiator, "no country wants to take responsibility for the round falling apart. Nobody wants to be fingered as killing the round."[51] In the past, such pressure has forced India to cave in and consent to agreements it was profoundly dissatisfied with. Given its sensitivities in agriculture and other areas, combined with its experience of previous trade rounds, India knew that it needed a strong coalition of allies to effectively defend its interests in the Doha Round, particularly against the US. Consequently, for India, to quote one of its former negotiators, "the G20 was a compulsion. They knew they had to do something but they knew they couldn't do it alone."[52] A negotiator from a rival country cynically

[49] Interview with negotiator, May 2009.
[50] Interview with negotiator, May 2009.
[51] Interview with Ambassador, June 2009.
[52] Interview, May 2009.

opined, "For India, the opportunity to join a blocking coalition was a god's gift. India would love the round to collapse without them having to show their fingerprints on it."[53]

The alliance between Brazil and India is a marriage of convenience and, privately, their negotiators are forthcoming about their motives and the tensions involved. As a Brazilian negotiator stated:

> it was sheer personal interests forcing Brazil and India to get into a coalition. We knew there were difficulties in trying to form a long-term coalition with the Indians given their difficulties in agriculture. Our relationship with India is like a kind of very delicate embrace where you cannot leave each other.[54]

An Indian negotiator concurred:

> It's a coalition of the unwilling, let me admit. But at the same time, we know we can't have any kind of illusion of our status being equivalent to the G2 [the US and EU]. Even China has greater status than us. But we know between the two of us [India and Brazil] there's a formidable force that the G2 can't ignore.[55]

Despite the apparent challenges, the benefits of an alliance led Brazil and India to surmount their differences.

India's Plan B: The G33

In addition to the G20, India has also been a key force behind the G33, a second developing country coalition on agriculture that emerged at Cancun and has had a significant impact on the Doha negotiations.[56] The G33 is a large coalition of import-sensitive developing countries – currently comprised of 46 states and nearly a third of the

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[53] Interview with negotiator, May 2009.
[54] Interview, May 2009.
[55] Interview, May 2009.
[56] The members of the G33 are: Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, Côte d'Ivoire, China, Congo, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Republic of, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe.

total membership of the WTO – with defensive concerns in agriculture, whose objective is to limit the degree of market opening required of developing countries. It has specifically advocated a "special products" (SPs) exemption that would allow developing countries to shield some products from tariff cuts as well as a "special safeguard mechanism" (SSM) that would allow them to raise tariffs in response to an import surge. The intent of both instruments is to protect food security, rural livelihoods and rural development. Although the G20 has received far more public attention and support, the G33 has also played an important role in the Doha negotiations. Despite substantial opposition from the US, EU, and other developed countries, India and the G33 succeeded in putting special products and the SSM onto the negotiating agenda and secured the commitment that they will be part of any final Doha agreement. Specifying the exact design of the SSM became a central issue in the Green Room negotiations at the July 2008 Ministerial and a proximate cause of their breakdown.

Although Brazil and India are both considered leaders of the G20, it is lead primarily by Brazil, who is its official coordinator. India was instrumental in mobilizing developing countries on defensive agriculture interests and in creating the G33, although Indonesia is its official coordinator. India is strongly motivated by its past experiences of being left isolated and powerless at the end of the negotiations and it is far from confident about the long-term loyalty or reliability of Brazil. Not only is it aware of the differences in their interests, but India also feels it was abandoned repeatedly by Brazil during the Uruguay Round. As one official stated, "Brazil can't be trusted. They have a history of abandoning developing country positions."[57] Based on this, according to negotiators, India "recast its game plan" and made clear that it "won't rely on Brazil in the endgame"

[57] Interview, New Delhi, March 2010.

this time around.[58] India's belief that it cannot count on Brazil in the endgame scenario of the negotiations has motivated it to develop and cement other alliances, most prominently through the creation of the G33.[59]

Leadership of the Developing World

Brazil and India's leadership of developing countries has not been limited to the G20 or the G33. Both have also been leading figures in the NAMA-11 coalition in the negotiations on manufactured goods, a group focused on defending the interests of developing countries seeking to protect their manufacturing sectors, insisting on a lighter tariff-reduction formula and more flexibilities for developing countries and resisting calls from the US and other industrialized countries for aggressive sectoral liberalization.[60] Brazil and India have also established themselves as leaders of the developing world on intellectual property. They led the fight (along with South Africa) to ensure that WTO rules governing trade-related intellectual property (TRIPS) would not be allowed to restrict access to medicines in developing countries, winning an exemption and a waiver to the TRIPS agreement for public health. Also on intellectual property, India and Brazil have led the developing countries in an effort to use WTO rules to prevent biopiracy by requiring companies to disclose the source of any genetic resources or traditional knowledge in their patent applications. In addition, India led the fight against the Singapore Issues – investment, competition and government procurement. It was a central figure in the so-called Core Group of developing countries that united to successfully oppose the launch of negotiations on the Singapore Issues at Cancun – a

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[58] Interview with former Indian negotiator, May 2009.

[59] Brazil, in the meantime, is doing what it can to ensure that it doesn't "give India the opportunity to say Brazil sold us out," in the words of a third-country negotiator.

[60] The NAMA-11 consists of Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia, and Venezuela.

second cause of its breakdown – along with the African Group, ACP Group, and LDC Group (Narlikar and Tussie 2004).

Beyond specific coalitions, Brazil and India have also emphasized broader coordination and alliance-building across the developing world. At the 2005 Hong Kong Ministerial, for example, Brazil and India led a mass coalition of developing countries (the G110), representing the majority of the WTO's membership, when the G20 and G33 came together and allied with other groupings of developing countries – the African Group, the African Caribbean and Pacific (ACP) Group, the LDC Group, and the Small and Vulnerable Economies (SVEs) – to oppose the agenda being pushed by the advanced-industrialized states. Between formal coalitions and more informal leadership, Brazil and India managed to organize a significant portion of the organization's membership behind them in the Doha Round, which the US and other traditional powers could not disregard.

Although there had been previous efforts by developing countries to form coalitions to increase their bargaining power at the WTO, they had proven ineffective. Prior developing country had been hampered by the tendency to lack a strong issue-specific focus, a lack of technical capacity (particularly the capacity to advance specific proposals and engage in the technical aspect of the negotiations), and an inability to stay united in the face of pressures from the dominant powers. These factors considerably reduced their power as a negotiating force (Evenett 2007; Narlikar and Tussie 2004). Perhaps more importantly, these coalitions had considerable trouble staying together, with the US and EU using a combination of various carrots and sticks to divide them. As an official stated, “one thing coalitions lacked in the past was the ability to keep people in line and not to fall prey to divide and rule tactics.”[61]

Brazil and India learned from the mistakes of the past and used such lessons to build stronger and more effective coalitions in the Doha Round.[62] Keenly aware of the problems that had previously plagued developing country coalitions, Brazil and India recognized the necessity of unity. As one negotiator stated, “the possibility of people breaking groups – this point we had very much in mind.”[63] This concern drove the framing of the G20 and the choice of agricultural subsidies as the cornerstone for the group. The issue provided a means to overcome difference and unite developing countries – including those with both offensive and defensive interests in agriculture – since it targeted rich countries.[64] As they acknowledge, subsidies provided really “the *only* issue to unite the G20 behind.”[65] The argument is that rich country subsidies distort trade by allowing farmers in the North to sell their products at artificially low prices, giving them an unfair advantage against producers from the South, lowering the prices they receive or allowing them to out-compete those farmers and put them out of business entirely. Their issue also fits neatly within the liberalization mandate of the WTO and provides a relatively compelling story in which the rich countries are identified as “the bad guys.” In addition, while developing countries typically found themselves on the defensive in WTO negotiations, the subsidies issue provided an opportunity for them to turn the tables and go on the offensive against the developed countries. This was

[61] Interview with WTO Secretariat official, March 2009.
[62] Narlikar and Tussie (2004) show the importance of social learning in improving the strength of developing country coalitions at the WTO.
[63] Interview with negotiator, May 2009.
[64] More specifically, developing countries do not use the kinds of agricultural subsidies actionable under WTO rules.
[65] Interview with negotiator, June 2009.

strategically advantageous to developing countries, since the saying “the best defence is a good offence” often holds true at the WTO. In the words of one negotiator, “it’s always good to be aggressive against the EU and US just to defend your *own* position.”[66]

Strategy and technical capacity were critical to the ability of Brazil and India to mobilize developing country coalitions and provide a credible threat to the traditional powers at the WTO. Other negotiators describe Brazil and India as master organizers and strategizes, with outstanding technical capacity and “very active, knowledgeable trade officials.”[67] It is important to realize that most developing countries at the WTO are extremely limited in their technical capacity, which has contributed to their historically disadvantaged position at the WTO and limited their ability to defend their interests. Both Brazil and India have invested heavily in staff and resources dedicated to the WTO. They now have among the largest delegations in Geneva, supported by highly trained officials in their capitals, and their negotiating teams are among the most skilled, active and knowledgeable at the WTO. Brazil and India recognized the necessity of being able to produce complex, technically sophisticated proposals and counter-proposals, with compelling rationales: as one negotiator stated, “we needed to be able to show the numbers … to show that we have positions that are technically sound.”[68] Brazil and India were able to provide the highly sophisticated expertise and technical capacity (e.g., the ability to run econometric analysis, assess the impacts of specific commitments, and generate negotiating proposals) that most developing countries lacked. Brazil and India could do the “heavy lifting” for other developing countries, who came to rely on them for

[66] Interview with negotiator, May 2009.
[67] Interview with Ambassador, May 2009. China, by contrast, is seen as having less technical capacity and as comparatively weak in these areas.
[68] Interview with negotiator, March 2009.

their expertise and technical capacity.[69] The ability to do so marked a major change from previous developing country coalitions and made it possible for them to effectively respond to and counter the US and EU in negotiations. Their success in securing important victories for developing countries – including on the agriculture and NAMA tariff reduction formulas and flexibilities, agriculture subsidies, SPs, the SSM, TRIPS and public health, and the Singapore Issues – further consolidated support for their leadership. A representative of Indian industry expressed this thus: "There is a strong sense developing countries were bulldozed in GATT/WTO agreements in the past. Now India was standing up to the bulldozer and a lot of other developing countries were happy to stand back and let them do this job fro them."[70]

Brazil and India have been supported in their efforts to build effective coalitions and to increase their power at the WTO by civil society actors at both the national and international levels. Brazil, for example, drew heavily on a domestic research institute backed by its agribusiness sector – ICONE (Institute for International Trade Negotiations) – in formulating its position and that of the G20. ICONE played an instrumental role in the G20 as the primary source of technical inputs and research and analysis. Brazil and India have also received substantial support in their agenda from international NGOs, such as Oxfam, Action Aid, Médecins Sans Frontières, Focus on the Global South, and the Third World Network. Particularly through their ability to engage with the media, NGOs have played an important role in drawing broader public attention to both to specific issues under negotiation (such as agricultural subsidies and TRIPS/access to medicines), as well as broader systemic issues related to power

[69] Interview with negotiator, February 2009.
[70] Interview, New Delhi, March 2010.

imbalances within the WTO and the exclusion of developing countries from decision-making. In this way, international NGOs have helped in building the moral authority of Brazil and India and the developing country cause. (The role of both ICONE and NGOs is detailed further in Chapter 5.)

It was Brazil and India's leadership of developing country coalitions – particularly the G20 and G33 – that catalyzed the power shifts that have taken place at the WTO. In the words of one US negotiator, "Brazil and India weren't brought in [to the inner circle] – they brought themselves in."[71] Brazil and India had to fight their way into the inner circle by mobilizing large coalitions of developing countries behind them. Their leadership of these coalitions, and developing countries more broadly, has been an essential factor in enhancing their power in the institution. Negotiators indicate that the perceived ability of Brazil and India to "bring other developing countries along" was a big part of their new status in the negotiations.[72] In the words of one negotiator, "The US and EU aren't talking to India because India is India. They do it because India is seen as a leader of the G33 and the G20, and if they don't get an agreement with India, it's not just India that will withdraw its support, it's all of those countries."[73] A former Ambassador agreed: "India is only dangerous now because of what it might be able to convince other countries of."[74] Similarly, negotiators report that "a lot of weight Brazil carries today has more to do with the way it articulates itself politically [i.e., its leadership of the G20]."[75] A Brazilian negotiator concurred:

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[71] Interview with negotiator, April 2009.
[72] Interviews with negotiators, April 2009.
[73] Interview, April 2009.
[74] Interview with former negotiator, April 2009.
[75] Interview with Ambassador, May 2009.

> There are various ways to be admitted [to the inner circle of negotiations]. You need interests large enough and that are capable of screaming enough if their needs are not met – you can do it alone or in a coalition, but it's better to do it in a coalition. For us, the G20 served as a stepping stone to consolidate our access to the most exclusive negotiating forum [at the WTO].[76]

Their leadership of developing country coalitions has thus enabled Brazil and India to elevate their status and enhance their influence.

The Rise of China

China's rise to power and behavior at the WTO has differed greatly from Brazil and India. In terms of economic might, Brazil and India pale in comparison to China – the world's second largest economy and the largest exporter of goods (in contrast, Brazil and India's economies are only a third and their exports a sixth the size of China's). While most accounts see China as the primary challenger to the US in global politics, at the WTO, Brazil and India were the first developing countries to successfully challenge the US and they emerged as major players several years before China. Moreover, despite their much smaller economies and roles in world trade, Brazil and India have been far more assertive and influential players at the WTO than China, in terms of their impact on the agenda and dynamics of the Doha negotiations and the negotiating texts themselves. This is particularly surprising given that when China joined the WTO in 2001, after a lengthy accession process, many predicted it would assume a central role within the organization, given the significant and painful concessions it had made in order to join the WTO and avail itself of the benefits of membership. However, in fact, for most of the Doha Round, China has been a relatively marginal player on the sidelines of the real action and decision-making. Reporting on the Doha Round in late 2007, for example, *The Economist* (2007) could state that "four powers hold the key to Doha" – the US, EU,

[76] Interview, May 2009.

Brazil and India – and make not a single mention of China. While Brazil and India joined the elite inner circle at the WTO following Cancun in 2003, it was only much later – not until the Ministerial Meeting in July 2008 – that China was included in this core group and assumed a more significant role in the negotiations. Furthermore, whereas Brazil and India *fought* their way into the inner circle, China was *brought* in – and it was brought in largely because Brazil and India had been so successful in fundamentally changing the dynamics of the negotiations.

Brazil and India actively sought the leadership of developing countries, and assumed a relatively combative stance vis-à-vis the US and EU, as a means to elevate their status and enhance their influence. In sharp contrast, however, if Brazil and India have sought eminence, China has sought anonymity. Although China is a member of both the G20 and the G33, it has made no effort to establish itself as a leader of developing countries like Brazil and India. Indeed, when asked in interviews, Chinese negotiators bristled and grew visibly uncomfortable at the suggestion that China might assume a role as a leader of developing countries and quickly move to dismiss it, stating: "China is not a leader" and "China does not want to be a leader."[77] A negotiator explained: "that's against our philosophy. We don't want to take extremes, and leadership is extreme. We would have to take the spotlight, and that is against China's philosophy to be quiet, low profile, modest."[78] This is in keeping with Deng Xiaoping's famous directive to "observe developments soberly, hide our capabilities and bide our time, remain free of ambition, and never claim leadership." As a rival negotiator stated, "China doesn't want a following… China's not like an India or a Brazil. They stay

[77] Interviews with Chinese negotiators, March and May 2009.
[78] Interview, May 2009.

behind and do not take on a prominent position at the forefront. We were surprised even that they joined the G20 and the G33."[79] Instead, China has been remarkably quiet and assumed a low-profile in the negotiations, with other negotiators describing it as "a little on the outside of things."[80] Even after 15 years of accession negotiations and over a decade of membership in the WTO, China has sought to portray itself as new and inexperienced and still learning the ropes within the institution. Unlike Brazil and India, China has sought to avoid drawing attention to itself and avoid prominence or any obvious projection of its power; rather, its behavior at the WTO has been more akin to an elephant acting like a mouse.

China's position at the WTO is a complicated one. As the world's largest exporter, China has a major interest in reducing trade barriers, further opening markets to its exports, and strengthening the rules of the multilateral trading system. In fact, many expect that China would be one of the biggest winners from the Doha Round (Polaski 2006). However, the size and rapid growth of its economy makes China a major target for other countries seeking access to its market, and at the same time, many countries are concerned about China's industrial and export capacity and the competitive threat that it poses. China thus potentially faces both demands that it open its market and efforts to constrain its exports. Moreover, as an export powerhouse in an organization designed to get countries to open their markets, as one close observer stated, China "frightens a lot of [WTO] members."[81] For China, therefore, standing out and taking a leadership role runs the risk of generating a powerful backlash, not only against China but against the entire multilateral trading system and its goal of liberalizing trade. It is not surprising therefore

[79] Interview, May 2009.
[80] Interviews, September 2008-June 2009.
[81] Interview with negotiator, May 2009.

that China has sought to appear as non-threatening as possible within the WTO. Since China has determined that the primary threat it faces is from the traditional powers (particularly the US), it has allied itself with the developing world and joined developing country coalitions in order to strengthen its defenses and avoid being singled out and targeted, which will be discussed in greater detail in the following chapter.

As a member of the G20 and the G33, China has allowed itself to be led and represented by Brazil and India. Notes one observer, China is "happy to leave the leadership role to India and Brazil. I'm sure they think there is enough China-bashing already."[82] With such high stakes involved, as one negotiator commented, "they see that as long as India and Brazil are fighting for what they want, why should they say anything."[83] A Secretariat official seconded this assessment, stating "they don't waste capital if they have others that will do it for them."[84] The result though, some negotiators suggest, is that Brazil and India have been such strong leaders that they have "managed to drag around China" and "China has effectively let Brazil and India run their participation" at the WTO.[85]

China's Entry to the Inner Circle: July 2008 Ministerial

It was not until the July 2008 Mini-Ministerial Meeting in Geneva that China was itself included in the inner circle and began to assume a more important role in the negotiations.[86] As usual at the Ministerial, the center of the action was the Green Room, where a small, elite group of trade ministers gathered for the "real negotiations." For the

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[82] Interview with NGO representative, May 2009.
[83] Interview, April 2009.
[84] Interview, May 2009.
[85] Interview with WTO Secretariat official, March 2009.
[86] A "Mini"-Ministerial because it was a meeting of only a select group of 35 trade ministers, rather than of ministers from all 153 member states of the WTO. The meeting is therefore described by the WTO Secretariat as an "informal" meeting, although it was Chaired by the WTO Director-General, organized by the Secretariat and took place at the WTO.

first time, however, China joined this core group – the US, EU, Brazil, India, Australia and Japan.[87] When asked why it was that China was included in these meetings, Secretariat officials reply that "China is a big economy, a big trader, and a big population, so of course it should be there."[88] But there is reason to be skeptical of these kinds of after-the-fact justifications. They certainly fail to explain why China was only then included in the core negotiating group when it had not been previously, and they also do not jive well with the uniform reports of negotiators and officials that China has *not* been an active force in the negotiations. So what changed that prompted the inclusion of China?

According to negotiators' reports, the decision to include China in the Green Room was driven by the US and the WTO's Director-General. Their motives were two-fold. First, four years of negotiations centered on the US, EU, Brazil, and India had produced a standstill – as the spectacular breakdown of the previous Ministerial meeting the year before in Potsdam, Germany had shown. Faced with an apparent impasse – between the US and EU, on one side, and Brazil and India, on the other, split over the issues of agricultural subsidies and market access in the North and industrial tariffs in the South – there was a sense that it was necessary to re-jig the players in the group to try to break the standstill. The US in particular – as well as others seeking a conclusion to the round – thought that China would side with them and help to counter India, who the US blamed for holding up the deal. As one negotiator stated, "China has a lot to gain, so

[87] In the years since Cancun, Australia and Japan had been included off and on in such meetings, but they were considered only peripheral players compared with the core of the US, EU, Brazil and India, who have been the central figures in *every* such meeting. Indeed, according to negotiators, at the 2008 Ministerial, the Japanese Trade Minister was actually left sitting outside in the hallway for much of the meeting, his presence not deemed necessary by the key players.

[88] Interview with Secretariat official, February 2009.

people thought bringing it to the table will help get a deal. They thought it would put added pressure on India by having China in the room."[89] Similarly, another official stated:

> The US believed that China would be more of an ally than an adversary in these meetings. It made a calculation that because of China's relatively passive approach to being the biggest developing country here and letting others run with the agenda, the US thought it would be an ally – and because it has such fundamentally different priorities than India.[90]

The US also had a second motivation for including China. While the US is interested in gaining improved access to the Chinese market through the Doha Round, China's absence from the Green Room for most of the round indicates that the US expected to be able to secure these market access gains without directly engaging China. The US believed that it just needed to strike a deal with Brazil and India, which would set the terms of its access to developing country markets, including China. However, by 2008, Brazil and India, along with developing countries as a whole, had been so successful in resisting the pressures of the US and its allies and securing their own demands that the negotiations had moved in the direction of an agreement that the US – and particularly its business and farm lobby groups – was profoundly dissatisfied with. Based on the way the deal was shaping up – with what they perceived to be weak tariff-reduction formulas and excessive flexibilities for developing countries – the US feared that from its perspective the costs would greatly outweigh the gains. Given this, US negotiators decided that the best way to improve the package and justify it to their domestic constituencies would be to secure special concessions from China, beyond the formal terms of the package that was emerging. The US sought an informal commitment

[89] Interview, May 2009.
[90] Interview with WTO Secretariat official, March 2009.

from China that it would agree to limit the use of its flexibilities in agriculture (keeping key items of interest to the US – cotton, wheat and corn – off their list of special products that would be shielded from full tariff cuts) and that it would participate in aggressive "voluntary" sectoral liberalization for chemicals and machinery. Thus, by the 2008 Ministerial, as one negotiator stated, "the main demands of the US and EU couldn't be addressed without getting a 'yes' from China. The US needed China to be there."[91]

There were therefore two key factors driving the decision to bring China into the Green Room: one was strategic – the US thought they could use China to put pressure on Brazil and India – the other was that because Brazil and India had been so successful in negotiating a favorable deal for developing countries and had backed the US into a corner, it needed to be able to secure extra concessions from China in order to be able to sell the deal back home. Unfortunately for the US, however, this strategy ultimately backfired as China (who also has significant defensive agricultural interests, given its large peasant population) both backed India on the SSM and refused to simply give away the additional commitments the US was demanding. Even here though, when China took a stance in opposition to the US on the SSM, it was still seen as largely following India's lead. And, since being admitted to the inner circle, China has continued its relatively quiet and low profile role in the negotiations.

Conclusion

An analysis of developments over the last decade at the WTO challenges the conventional wisdom that the rise of new powers in global economic governance is simply a function of their growing economic might. Instead, I have argued that the forces driving their rise are more diverse and complex than suggested by a simple economic

[91] Interview, May 2009.

determinism and that these countries have in fact taken different paths to power. Although China's rise has indeed been more closely tied to its growing economic might, for Brazil and India, who are not the economic behemoths of China, strategic alliance-building and skillful leadership of developing country coalitions provided them with a critical means to enhance their importance and influence within the WTO and enabled them to punch above their economic weight. While economic factors are indeed significant, they alone are not sufficient to explain contemporary power shifts. In the words of one official, "trade negotiations are not an economic process but a political process."[92] This is true not only for the WTO, but for global economic governance more broadly. To focus solely on the economic would miss important aspects of the rise of new powers in global economic governance.

This analysis points to the need to pay greater attention to differences in the sources of power of these countries, particularly as these differences also have important implications for their strategies and behavior in international institutions like the WTO. Brazil and India actively sought the leadership of developing countries, and assumed a relatively combative stance vis-à-vis the US and EU, as this enabled them to elevate their status and enhance their influence. They have played a major agenda-setting role at the WTO and significantly shaped the dynamics and direction of the negotiations. In sharp contrast, however, if Brazil and India have sought eminence, China has sought anonymity. It has deliberately avoided a leadership role akin to that of Brazil or India and instead has sought to avoid drawing attention to itself and avoid prominence or any obvious projection of its power.

[92] Interview with WTO Secretariat official, March 2009.

In contrast to the widespread belief that China is the primary challenger to the US in international affairs, I have shown that Brazil and India were the first developing countries to successfully challenge the US and they emerged as major players at the WTO several years before China. Moreover, despite their much smaller economies and roles in world trade, Brazil and India have been far more assertive and influential players at the WTO than China, in terms of their impact on the agenda and dynamics of the Doha negotiations and the negotiating texts themselves. In looking at the rise of new powers, the experience of the WTO therefore suggests that it may not necessarily be the most economically powerful countries that are either the most assertive or influential in global economic governance or that pose the greatest challenge to the traditional dominance of the US and other advanced-industrialized states.

CHAPTER 4

The New Landscape of Power

As described in the introductory chapter, although most acknowledge that the international system is currently is a process of transformation, there is considerable debate about what form the emerging structure of power is taking. Is hegemony shifting from the US to China? Does the international system remain unipolar with the US as the dominant power? Or are we witnessing the emergence of a new structure of the global political economy, such as group hegemony, multipolarity, uni-multipolarity, or nonpolarity? In this chapter, I analyze the new landscape of power that has emerged at the WTO. Of the various competing characterizations of contemporary power shifts, the most dominant and widely expounded has been as a passing of hegemony from the US to China. However, at the WTO the shift in power has been not just to China, but to Brazil, India and China. Although some have suggested that the new developing country powers lack unity and leadership (Brooks and Wohlforth 2011; Hampson and Heinbecker 2011; Patrick 2010; Roberts 2010; Wade 2011), I argue that these very factors have in fact been critical for the new powers at the WTO. I contend that the new power of Brazil, India and China is highly interdependent: they have needed to ally together, and secure the backing of the developing world more broadly, in order to effectively counter the traditional dominance of the US and EU. Such alliances have been critical to their success in advancing their interests and evading the pressures and threats they face at the WTO. The new structure of power that has emerged at the WTO is multipolar, with the new powers engaged in balancing behavior vis-à-vis the US and EU. The WTO is now characterized by a balance-of-power situation in which the traditional powers – the US and EU – are faced off against the new developing country powers – Brazil, India and China. The two sides are evenly matched, such that neither side has been able to over-power the other and impose its preferences.

Shift to a Multipolar World

The dominant assumption has been that the decline of US hegemony will be replaced by the rise of a new hegemon, China (e.g., Arrighi 2007; Jacques 2009). However, as the preceding chapters have demonstrated, an analysis of power shifts at the WTO shows the rise of *multiple* new centers of power (Brazil, India *and* China). Furthermore, at the WTO, the rise of Brazil and India not only preceded that of China but in fact contributed to China's rise. While Brazil and India fought their way into the WTO's elite inner-circle, China was brought in – only many years later and because the rise of Brazil and India had fundamentally altered the trajectory of negotiations. Brazil and India had been so successful in negotiating on behalf of developing countries that the deal emerging was highly unsatisfactory to the US. In response, the US brought China into the inner-circle, seeking both to use China to help isolate and increase pressure on Brazil and India and to secure additional concessions from China in order to make an unfavorable deal more palatable to itself. The structure of power that has now emerged at the WTO is multipolar – centered on the US, EU, Brazil, India and China.

Alliances and the New Powers

Why Alliances Matter to China

In the previous chapter, I analyzed the central role that alliances have played in the rise to power of Brazil and India at the WTO. Here I show how – although playing a different role – alliances are also important for China.

As briefly noted in the preceding chapter, China's position in the negotiations is a complicated one. On the one hand, to gain membership in the WTO in 2001, China was forced to make significant and wide-ranging concessions to liberalize its market and reduce its trade barriers. As a result of China's accession commitments, it now has relatively low tariff levels compared to many other countries. The difference between China's bound and applied tariffs is also very small, meaning that even a relatively small reduction in tariff bindings as a result of the Doha Round would have a significant impact on its applied rates (and thus its ability to protect its market from foreign competition).[93] China's accession required it to undertake major domestic reforms and generated considerable domestic complaints and resentment about the high price it had to pay to join the WTO.[94] China came into the Doha Round seeking and expecting to see significant market opening from others, to help balance off what it was forced to do in its

[93] In trade negotiations at the WTO, countries agree to limits on their maximum tariff rates ("tariff bindings" or "tariff ceilings"); however, countries' actual, current tariff rates ("applied tariff rates") may be considerably lower than the limits they commit to at the WTO. (There are multiple reasons for this. When making commitments in previous WTO agreements, countries may have wanted to leave themselves "wiggle-room" to increase their tariffs. Or, countries may have engaged in unilateral action to lower their tariff rates, beyond the commitments they have made in WTO agreements.) The difference between a country's bound and applied tariff rates is referred to by negotiators as "water" or "binding overhang." In cases where a country has a lot of water in its tariffs, reducing their bound rates at the WTO will not necessarily require them to cut their applied rates. However, for China – whose bound and applied rates are generally very close or identical (i.e., little or no water in its tariff structure) – even a relatively small reduction in bound rates would result in a real cut to its applied rates.

[94] An accession process is all about negotiating what a country will be required to do to become a member of the WTO. The process is inherently unbalanced and stacked against the acceding member. When a country wants to become a member of the WTO, it is forced to negotiate with any existing member who wants something from that potential new member. While regular negotiations at the WTO take place on the basis of a *reciprocal* exchange of concessions, in an accession process all of the concessions are *one-way*. A country wanting into the club has relatively little bargaining power and existing members can set the 'membership fee' very high. It is well-known that the commitments new members are required to make in joining the WTO are far higher than those that any existing member has ever made in *all* the successive rounds of GATT/WTO agreements.

accession. Yet China has little appetite to undertake further liberalization itself, fearing domestic political fallout from being forced to incur more costs so soon after the extensive costs of its accession. China therefore has a strong defensive interest in minimizing its new commitments in this round.

At the same time, however, China also has important offensive interests in the round. As one of the world's biggest producers and exporters, China has a major interest in reducing tariff barriers and further opening markets to its exports, particularly in industrial goods. China would also benefit from the strengthening of the rules of the multilateral trading system which is supposed to come from this round (such as rules governing the use of anti-dumping measures, which countries frequently use to block imports). Indeed, China could be one of the biggest winners from this round, leading some negotiators from other countries to suggest that "the Doha Round is a round for China."[95]

Although China has clear offensive interests in the round, it also has compelling reasons to be cautious and not come out looking too aggressive in the negotiations. As other negotiators will quickly point out, "everyone [developed and developing] is more or less frightened by their industrial capacity" and the competitive threat that China poses.[96] A large part of the resistance countries have to opening their markets comes from concerns about China. Even many developing countries acknowledge that their greatest competitive threat is not from the US or other industrialized countries, but from China. At the same time, China's large and growing economy makes it a major target for other countries – developed and developing – seeking to improve their access to its market. As

[95] Interview with negotiator, April 2009.
[96] Interview with WTO Secretariat official, March 2009.

one of its negotiators states, “because China has one of the biggest markets in the world, people are more concentrated on our market, so we have to do things very carefully.”[97]

Within the round, the industrialized countries have been aggressive in seeking more liberalization commitments from advanced developing countries than others (“differentiation” amongst developing countries). Efforts at differentiation are a threat to many advanced developing countries, but particularly acute for China given that it is by far the biggest developing country market and the most significant competitive threat to the developed countries. China has actively sought to secure for itself the same level of “special and differential treatment” (SDT) as other developing countries[98]. It has typically done this not by being out in front, aggressively pursuing its interests, but by hiding behind other developing countries. The negotiations on fisheries subsidies provide a clear example. The Doha framework sets aside fisheries subsidies as a special area for intensive negotiations, based on their environmental impact (encouraging over-fishing and the rapid depletion of global fish stocks)[99]. In the negotiations, there has been a concerted effort to provide SDT to developing countries, motivated by a desire to ensure that poor and vulnerable fisher-folk (who have no significant environmental impact) are not harmed by the new rules. China, as a developing country, has been trying to claim the same treatment as developing countries. China, however, has a massive industrial fish sector – it is one of the world’s biggest producers and exporters, with a large and

[97] Interview with negotiator, May 2009.
[98] The notion that developing countries are entitled to “special and differential treatment” (SDT) has long been a principal in GATT/WTO trade agreements and is now part of virtually all aspects of the Doha Round negotiations. (Although formally-enshrined as a principal in several GATT/WTO agreements, many developing countries and outside commentators argue that SDT has never been satisfactorily realized in practice.) SDT for developing countries can take the form of lower commitments, more flexibilities, and longer implementation periods.
[99] Both negotiators and Secretariat officials confirmed that the emphasis placed on the fish subsidies issue was motivated in large part by a desire to improve the WTO’s environmental image, as it had long been the subject of criticism and protest from environmental groups.

highly industrialized fishing fleet. Allowing China the same SDT as other developing countries would not only undermine the environmental objective of the negotiations, but also give China a significant advantage over the developed countries, who would no longer be allowed to subsidize their industries. As one Chinese negotiator stated, "a lot of countries take China as their big target in the negotiations" but "China just wants the same treatment as other developing countries."[100] According to a rival negotiator: "China tries to be really quiet, because they know they are the target…. They waited for India and Indonesia to come forward with broad carve outs [for developing countries], then they sort of slid onto that."[101] China is trying to blend in with the developing countries and ride the coattails of others' initiatives to gain SDT. Other developing countries recognize this and are not necessarily supportive. At a recent meeting of negotiators on fish subsidies, China expressed views "on behalf of developing countries" as it argued against the imposition of fish management conditionalities on developing countries. Argentina responded by challenging China on this: "we don't share your view, so I suggest next time you speak on behalf of China, not developing countries," sparking a heated exchange between the two delegates.

In addition to efforts to force liberalization commitments on China, China also faces the possibility that countries might seek to use the WTO to constrain the competitive threat that it poses. Many developing countries, for example, are concerned about the threat they face from China in rich country export markets (such as in the US and EU) in the textile and clothing sector.[102] Industry groups in many countries (both

[100] Interview with negotiator, March 2009.
[101] Interview with negotiator, March 2009.
[102] Other developing and less developed countries were particularly concerned about the elimination of the textile and clothing quota system that had governed international trade in this sector for almost 50 years.

developed and developing) launched a major campaign lobbying their national delegations at the WTO to push for an extension of the quota system. Turkey led a group of developing countries and LDCs in calling for a special work program on textiles and clothing – to include a monitoring mechanism and the use of special safeguards to block Chinese exports – and later sought a carve-out that would separate textiles and clothing from the regular negotiations on industrial goods, remove it from the general tariff reduction formula, and slow liberalization in this sector. Although China was able to block these particular initiatives, they contributed to the pressure on China that ultimately forced it to agree to voluntarily restrict the growth of its textile and clothing exports to the US and EC. Situations such as these, in which other countries try to use the WTO to contain competition from Chinese exports, present a potentially grave threat to China.

When the Doha Round began, it was widely expected that China would side itself essentially with the advanced-industrialized countries, as it was assumed that China's interests are primarily export-oriented and that it would therefore seek aggressive market opening (see, for example, Pearson 2006). However, as the round has progressed, China has increasingly allied itself with the developing countries. One US trade official saw this as follows: "In many ways, at the WTO China has the same interests as developed countries – market access to large emerging economies, developing countries. It could have gone two ways – we could have co-opted China, but instead Brazil and India did."[103] The particular demands on China have oriented its relationships with developed

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Under the Uruguay Round Agreement on Textiles and Clothing (ATC), this system of quotas was phased out and eliminated in 2005. Many developing and less developed countries also fear that further liberalization of the textile and clothing markets in rich countries through the Doha Round will erode their preferential access to these markets and leave them unable to compete against China.

[103] Interview, Beijing, July 2009.

and developing countries. While China faces potential pressure from both developed and developing countries, it has identified the developed countries as its primary threat:

> It is our position that the greatest source of pressure on China in this round will come from the rich OECD countries. So our strategy is we need to pay more attention to how our unity with developing countries could be strengthened.[104]

Regarding the threat from developed countries, as a rival negotiator stated, “They are aware of the risk and do everything they need to avoid it.”[105] The threat of being pushed to make more commitments causes China to energetically stress its developing country status and cling tightly to other developing countries. China’s solidarity with developing countries – both formally through coalitions like the G20 and G33 and informally through its discourse and the narratives it works to construct – is critical not only to its efforts to counter the pressure of developed countries, as the above speaker noted, but also to prevent challenges from other developing countries as well.

At the WTO, China actively works to construct its “developing country” image. In their formal speeches and informal conversations, Chinese diplomats consistently – and almost exclusively – emphasize China’s “developing country-ness”: its massive population of rural poor, its low per capita GDP, its struggles to provide sufficient employment for its population and to absorb large-scale rural-urban migration, and its vulnerability to external market forces. While this is indeed an important face of China, the discourse of its WTO negotiators tends to erase the *other* face of China – the economic powerhouse, the competitive exporter who strikes fear in its trading partners large and small. “China-as-poor-developing-country” is a particular image that China chooses to project strategically in a specific setting. At the WTO, it is one that enhances

[104] Interview with Chinese negotiator, May 2009.
[105] Interview with negotiator, May 2009.

China's affinity with other developing countries, as well as helping to gird their claims in rejecting demands that it further liberalize its markets.

China cultivates the image of itself as one of the developing countries struggling in solidarity against the developed countries powers. As one non-Chinese negotiator states, for example, China "will always speak out for developing countries, LDCs, SVEs, etc., because that projects that they're supportive. But of course they're crushing these countries."[106] This is also evident on the issue of strengthening rules governing anti-dumping measures,[107] which is one of the few areas where China has been assertive. China has framed the issue principally as a struggle against the US,[108] although in reality other developing countries such as India are bigger users of anti-dumping actions against China. But China talks about the issue as though the US were the exclusive problem, thereby avoiding explicitly targeting developing countries and enabling developing countries to unite against US anti-dumping practices. It is in China's interest that the primary line of division and conflict be drawn in this way – as developing versus developed countries (rather than, for example, as developing countries against the large emerging economies) – and so it works to try to maintain this conception of the fundamental conflict at the WTO. A negotiator explains: China is "extremely careful with being close to the African countries and the most vulnerable countries, focusing on developing country solidarity against the industrial countries, avoiding it being put as emerging versus developing countries."[109] A Chinese official states: "It's not always

[106] Interview with negotiator, April 2009. Referring to the intense competition many of these countries face from China in both their own markets and third-country markets.
[107] Anti-dumping measures are a tool used for protecting domestic industries from surges of cheap foreign imports.
[108] When Chinese officials spoke about the challenges China faces in the trading system, anti-dumping was always one of the first things they mentioned and they all spoke of it almost exclusively in terms of the US.
[109] Interview with negotiator, May 2009.

that way – that issues are drawn on a South-North line – but most issues, yes, is a South-North confrontation and China naturally sides with the South. This is only natural, otherwise China would be criticized as a traitor."[110]

In order to foster its alliance with developing countries – and to avoid being labeled a "traitor" – China has also held back from pushing for greater access to their markets. Although China's economic profile is much closer to the advanced industrialized states than to other developing countries[111] – leading one to expect that China would act more like the advanced industrialized states in aggressively pushing for increased access to developing country markets – this has not been the case. As one negotiator stated, "China is not out there as a *demandeur* seeking market access concessions."[112] Specifically, in the negotiations on industrials, China could have pushed for a stricter tariff-reduction formula[113] with fewer flexibilities for developing countries, as well as additional sector-specific negotiations to reduce tariffs even more aggressively ("sectorals").[114] However, as a WTO Secretariat official observes, "China may be making a simple calculation that it's not in their interests to get out in front, because then they draw more critique."[115] Other negotiators concur: "China is too wise for this… Why ask for more? They're only going to get problems. That's precisely why they're

[110] Interview with negotiator, May 2009.
[111] China has a large economy with a huge industrial capacity; its economy is rapidly developing and moving into increasingly sophisticated and higher-value sectors; it is a major trader and big exporter, extremely competitive in the production of industrial goods, as well as in an ever-growing number of other areas. This differs greatly from the picture of most developing countries.
[112] Interview with negotiator, April 2009.
[113] Countries agreed in the industrial goods negotiations to apply a formula to determine the average level of tariff cuts each country would be required to undertake, with different coefficients (which determine the depth of the cuts) for developed (lower coefficient = higher cuts) and developing countries (higher coefficient = lower cuts).
[114] For example, many of the flexibilities for developing countries are expected to be used against products from China, yet China has not pushed against these flexibilities. Similarly, China would benefit from sectorals in areas where it is competitive like textiles and clothing, footwear, and electronics, but rather than fighting for them it has instead allied itself with other developing countries to oppose sectorals.
[115] Interview with WTO Secretariat official, March 2009.

not asking for more market access to developing countries."[116] One of China's negotiators explains their logic:

> We face divide and rule strategies of the developed countries. China has been adhering to this principle of unity. China could have been more aggressive in seeking market access to developing countries, but our strategy has been to show solidarity with other developing countries.[117]

Rather than aggressively pushing for greater access to developing country markets, China has left it to the US, EU, and other industrialized countries to push this position. As a rival negotiator indicates, speaking of the benefit to China of a sectoral in textiles and clothing, "But China hasn't put that on the table. It's the US and EU who are the *demandeurs*. They [China] are much smarter politically. It would be unwise for them to call for a sectoral in that area."[118] Of course, in addition to wanting to maintain its solidarity with developing countries, China does not want to provoke a reaction from developed countries by aggressively demanding more access to their markets either.

China has therefore kept a low profile, trying to hide itself within formal and informal groupings of developing countries and seeking to be treated like just another developing country. The strategic – and potentially transitory – purpose of China's alliance with developing countries is signaled in the comments of one of its negotiators, which is accompanied by a laugh: "This may change in future decades, but we still have to hold high the banner of development for this round."[119]

Importance of Developing Country Alliances for the New Powers

Although Brazil, India and China have taken different paths to power at the WTO, as shown in the preceding chapter, their relationships with other developing countries are

[116] Interview with negotiator, April 2009.
[117] Interview with negotiator, May 2009.
[118] Interview with negotiator, April 2009.
[119] Interview with negotiator, May 2009.

extremely important to them all. Brazil and India have used developing country coalitions to propel themselves to power, and all three countries use developing country alliances and solidarity to evade demands that they be treated more stringently in the current round of trade negotiations.

The importance of alliances for the new powers is evident first and foremost in the costs they are willing to incur to maintain them. Each of these countries has sacrificed its own immediate commercial interests to maintain their unity with other developing countries. Brazil, for example, has identified developing country markets as important to the future growth of its agricultural exports (particularly to large emerging economies like India and China), but it has held back from pushing for increased market access to developing countries in order to maintain unity. Brazil has been willing to accept a relatively weak formula and extensive flexibilities for developing countries that would significantly reduce or eliminate any potential gains they might have made in developing country markets. As one of their negotiators stated, “yes, on market access we definitely hit the brakes hard.”[120] This strategy has generated some criticism within Brazil from its powerful agro-industrial sector, which resents the sacrifice of market opportunities in the interest of Brazil's campaign to establish itself as a leader of the developing world (see Alden and Vieira 2005).

Similarly, although China is one of the world’s leading exporters of industrial goods and would therefore be one of the biggest beneficiaries of increased access to developing country markets, it has been willing to accept major exemptions for many developing countries that would significantly limit the amount of market opening they have to undertake and the new export opportunities available to China. As one negotiator

[120] Interviews, May 2009.

stated, "The idea that increased flexibilities [in the industrial goods negotiations] are good for developing countries in general is bullshit. Those carve-outs hurt us [competitive producers]… We'd be happier if the additional carve-outs were kept in check."[121] Rather than pushing for increased market access and limits on the flexibilities allowed to various other developing countries themselves, Brazil, India and China have held back and hoped that other actors will aggressively push to open these markets. In the words of a representative of Indian industry, "It doesn't make sense to pursue market access to developing countries because that's the block that's going to stand with you against the industrialized countries."[122] Likewise, as one negotiator stated,

> we can't go around demanding increased market access to developing countries for political reasons. We happen to be on the same side of the table [as the US and others seeking more market access] but unlike the US, we can't say anything about it. We have to keep quiet and tie ourselves to the US' coattails and hope they get more market access that we can benefit from.[123]

Developing country coalitions and solidarity are of such importance to the new developing country powers that they are willing to incur significant costs – sacrificing the pursuit of their own immediate commercial interests – to maintain them.

The importance of the developing country coalitions is also evident in the efforts of other actors to break them. The US, in particular, is notorious for its "divide and rule strategy." Following the Cancun Ministerial, the US went on the attack against the G20, making significant efforts to break up the group. The US used the fact it was engaged in bilateral trade talks with countries to pressure them to leave the G20 or forfeit their opportunity for a free trade agreement with the US, which led five of the original G20

[121] Interview with negotiator, April 2009.
[122] Interview with representative of Indian industry, March 2010.
[123] Interview with negotiator, April 2009.

members – Columbia, Peru, Guatemala, El Salvador and Costa Rica – to drop out of the coalition in the fall of 2003. The G20 ultimately withstood such pressures from the US and remained intact, even replacing these lost members and enhancing its numbers.

The US, EU and Northern states have also tried other tactics to split the developing world. The US has, for example, tried to align itself with the rest of the developing world and urged other developing countries to join it in pressing Brazil, India and China to open their markets. The following example, taken from the President's 2011 Trade Agenda, is typical of its discourse:

> The world has changed since the Doha Round negotiations began in 2001. The remarkable growth of emerging economies like China, India, and Brazil has fundamentally changed the landscape – and their growth is projected to continue in the coming years. In a negotiation in which the United States is being asked to significantly cut tariffs on all industrial and agricultural goods, we are asking these emerging economies to accept responsibility commensurate with their expanded roles in the global economy…. The United States, already among the most open markets in the world, has been frank about the importance of obtaining increased access to these markets. Access to emerging economies is also vital for the poorest countries that have been a particular focus of the Doha negotiations. Developing country tariffs are four times higher than those of developed countries, and the poorest countries already have largely open access to major developed economies, like the United States, through trade preference programs. (US 2011)

Thus far, however, such efforts have proven largely unsuccessful. Most developing countries have tended to view claims from the US that they share common interests, or that their true interests lie in pushing for better access to large emerging markets, with scepticism.

Another tactic that has been used in an attempt to stir divisions among developing countries is the issue of "differentiation," which serves both to create tensions among the developing countries and weaken their unity and, if successful, to leave the bigger countries isolated and more vulnerable in the negotiations, making it possible to extract greater concessions from them. The US, EU, and other developed countries have repeatedly called for the most advanced developing countries (including Brazil, India and China, as well and others such as South Africa, Egypt, Indonesia) to be treated differently than other developing countries ("differentiation") and pushed for the former to undertake more extensive liberalization (more stringent commitments, with fewer flexibilities, less implementation time, etc). This is part of a "divide and rule" strategy, whereby countries like the US try to break the alliance of developing countries and isolate their key targets from their current allies.

The negotiating texts are now packed with long lists of exemptions and exceptions for various categories of developing countries (including LDCs, "small and vulnerable economies" (SVEs), "very recently-accedded members" (v-RAMs), "small low-income RAMs with economies in transition", "paragraph 6" countries, and even for individual members), allowing them to undertake fewer liberalization commitments, granting them longer implementation periods, or exempting them entirely. While this could be read as an act of benevolence on the part of the developed countries, negotiators confirm that it also serves a tactical purpose:

> if you look at the NAMA text, it has flexibilities for all these different groups of developing countries. In terms of a negotiating approach, it can be useful to provide those flexibilities because it takes those countries out of the negotiating equation. What you're left with are the Brazil, India and China's of this world. It's all to isolate them. (Interview with negotiator, May 2009)

This entails a cost to the developed countries, as they are forsaking potential gains in access to the smaller markets, but it is a small cost, one that makes them look good, and one they are willing to incur in order to isolate the advanced developing countries and try to secure bigger concessions from them. For countries like the US, their primary concern is with gaining improved access to the advanced developing countries. Regarding the special exemptions for other categories of developing countries, such as SVEs and LDCs, a US negotiator stated: "We don't really care about those. We care about the advanced developing countries."(Interview, June 2009)

Not surprisingly, the targets of these efforts fiercely oppose differentiation. Calls from the EU trade commissioner for a "round for free" for LDCs and SVEs (i.e., not requiring them to undertake commitments to further open their markets) created a rift amongst developing countries. Not only do other developing countries feel that they too should be entitled to such treatment, but the loss of allies and increased pressure pose a serious threat. Other developing countries strongly opposed the official creation of SVEs as a special category.

Interdependence of the New Developing Country Powers

The case of the WTO highlights the interdependence of the new power of Brazil, India and China. These three countries have become more powerful at the WTO, but their power is closely tied to and dependent upon their relationships with other developing countries, including each other. As one Ambassador stated,

> Now, if you look at the balance of forces at the WTO, if you have India, China and Brazil, you can do anything, but if you have just one or two of them… There's a common perception amongst Brazil, India and China that if we don't manage our differences and act isolated, we're easy prey [for the US, EU, etc.]… If Brazil, India and China don't work together, we don't stand a chance.[124]

This is particularly true for Brazil and India, also applies to China as well. A Chinese negotiator explained China's position as follows:

[124] Interview with negotiator, May 2009.

> [China needs coalitions] because of our bitter experience of negotiating bilaterally with the US [for its WTO accession]. The US always got what it wanted. Our prospects of winning are higher if we are with other developing countries and not alone. The US is still the superpower – the world's biggest economy. In a one-on-one setting, the US will most always win. Because we are counting on the US market. It is a question of markets – we export goods to the US. We have to please the US because they are buying our goods. Multilaterally, it is a different picture: then it is no longer one-to-one, but the US versus a group of countries. The US is the big elephant, but we now have a group of wolves – then we have a chance.[125]

These countries are dependent on each other and on the backing of other developing countries through coalitions like the G20 and G33. No country wants to be isolated at the WTO; strength comes from having allies. The case of India at the July 2008 Ministerial exemplifies this. Core negotiations took place in private meetings amongst the G7 and ultimately centered on the issue of the special safeguard mechanism (SSM) for developing countries in agriculture, which had been advanced by India and the G33. The US strongly opposes the SSM and the balance in the G7 came down against India. However, facing isolation in the Green Room and intense pressure to concede, India was unexpectedly joined by support from China and could point to over 100 countries behind it registering similar concerns about the SSM (South Centre 2008), which ultimately enabled India to hold out against the US.

Thus, while Brazil, India and China have indeed emerged as important major powers at the WTO, there is an element of *interdependence* to their power that it is important to recognize. This means that the actions of these new powers are shaped and constrained by the need to maintain their relationships with other developing countries. Brazil, for example, only has power in concert with other developing countries; if it tried to aggressively pursue its own agricultural interests, it would lose the support it has from

[125] Interview, May 2009.

developing countries and would not be anywhere. Likewise, without the support of other developing countries, India would be isolated and unable to stand up to the US and the other developed countries. China, without the cover of its solidarity and alliances with developing countries, would likely be under attack from all sides – developed and developing – and face considerably greater pressure to liberalize its own market and undertake significantly more stringent commitments.

The New Balance-of-Power

The unfettered power of the US and other advanced-industrialized states has been curtailed by the rise of the new developing country powers. However, while Brazil, India and China have all become more powerful, none of them alone is powerful enough to counter the traditional powers, forcing them to ally together. Likewise, as the hegemony of the US has declined, it has allied itself more closely with the EU and sought the backing of additional allies. Now, for the first time at the WTO, no one country, or block of countries, is dominant or can dictate governance outcomes. Instead, the new structure of power that has emerged is characterized by a balance-of-power with the traditional powers (the US and EU) on one side and the new developing country powers (Brazil, India and China) on the other. This is truly a balancing situation, in which no one power can impose its will upon the others.

Even the traditional powers feel the need to ally together in order to assert their interests vis-à-vis the new powers. For example, the US and EU allied together against China in a recent WTO dispute, in which the US and EU challenged China's use of export restrictions (duties, quotas and other policies) to limit raw material exports. The US and EU argued that the higher prices their manufacturers were forced to pay for goods such as bauxite, coke and zinc as a result of such restrictions put them at a disadvantage across a wide swath of industries - from steel to batteries, chemicals and ceramics. The two countries filed the case in 2009 and won an appellate body ruling 2012. As an article in the *Financial Times (2012)* reporting on the case stated, “It represents an example of the US and the EU joining forces to confront China on trade matters - a strategy that both Washington and Brussels believe is essential to maintain leverage over the world's second-largest economy.” Not only the new powers, but also the old feel the necessity of bolstering their power through alliances.

Huntington defines a multipolar system as several major powers of comparable strength that cooperate and compete with each other in shifting patterns (Huntington 1999). The current line of division at the WTO has been drawn largely along North-South lines, with the US and EU, backed by other advanced-industrialized states, on one side and Brazil, India, and China, backed by much of the developing world, on the other. However, as the reference to shifting patterns in Huntington’s definition of multipolarity suggests, it is possible that these alliances may be subject to change over time.

Sources of Potential Instability in the New Structure of Power at the WTO

The interdependence of the new developing country power means that this power is to some degree unstable, particularly given the existence of divergent and even conflicting interests among developing countries. Developing countries are a broad and diverse group that vary greatly across a large range of factors, including: size of economy, level of development, per capital income, competitiveness of different economic sectors, volume of trade, structures of exports and imports, tariff profiles, and relationships with developed countries (e.g., some are beneficiaries of colonial preference arrangements or LDC preference schemes, some have bilateral or regional free trade agreements). In trade terms, developing countries often compete against one another for access to each others' markets or to third party markets, whether developed or developing. Inevitably, this means that developing countries will have different positions on trade liberalization and the various issues under negotiation. In the agriculture negotiations, for example, developing country interests are split between those of highly competitive producers, such as Brazil, who have an interest in opening foreign markets to their exports, and those of countries with vulnerable sectors, such as India and China, who want to maintain trade barriers to protect their producers from imports. Similar dynamics are at work in the negotiations on industrial goods, where more competitive traders have an interest in liberalization, but vulnerable countries would prefer to protect their markets. Across many areas of the negotiations, many developing countries fear competition from Brazil, India and China.[126] The issue of preference erosion automatically pits some developing countries and LDCs against others.[127] Even the reduction of rich country agricultural subsidies – widely presented as one of the key contributions of the Doha Round to development – is not unambiguously positive for all

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[126] As one negotiator revealed privately, even agriculture exporters who could be expected to gain from agricultural trade liberalization fear that many of these potential gains might simply be captured by Brazil, given its high degree of competitiveness.

[127] The increased opening of developed country markets through the Doha Round will also inevitably erode the preferences that many less-developed countries (LDCs) rely on to export their products to these markets, subjecting them to increased competition – pitting other LDCs and developing countries who want more access to these markets against preference recipients who fear their own level of exports will be reduced. Through a number of unilateral preference schemes such as the US' African Growth and Opportunity Act (AGOA) and the EU's Everything But Arms (EBA) initiative, many LDCs currently enjoy tariff-free access to developed country markets on many products. Since many other countries face higher tariff rates, this gives these LDCs "preferential" access to these markets and helps to artificially make their products more competitive. However, with the general lowering of tariff barriers that will occur through the Doha Round, these preference margins will inevitably be eroded, leaving these LDCs vulnerable to more competitive exporters. The lowering of import barriers in developed countries to products from China, India, Brazil, and other developing countries, will inevitably erode the trade preferences that less-developed countries enjoy in these markets.

developing countries: although it is expected to benefit exporting countries by raising prices, it could also harm countries that are net importers of food. Thus, Brazil and India, in particular, as leaders of coalitions, face considerable challenges in trying to manage diverse coalitions and keep them together, while at the same time pursuing their own specific interests. They have to guard against (1) the coalitions withdrawing support for them, and (2) the coalitions themselves crumbling due to internal conflicts. A Brazilian negotiator was frank in revealing the challenges involved in maintaining unity of the G20:

> It's a balancing act. Without any romanticism, developing country coalitions are a hard ball game. Perhaps even harder than negotiating with your enemies. With the US, for example, you know how far you can go and they're very open and transparent. But with other developing countries, there's much less information and much more complicated dynamics.[128]

The extensive differences among developing countries have led to questions about how well Brazil, India and China can truly represent the interests of other developing countries. Particularly for Brazil and China, who are highly competitive exporters of agricultural and industrial goods respectively, there is a belief that their interests are too separated from the average developing country and especially from less-developed countries – even one of their own former negotiators suggested that, "countries like Brazil, India and China don't represent developing countries anymore."[129] There is an expectation even amongst the members of these coalitions that in the final instance Brazil, India and China will look out for their own interests – not those of developing countries as a whole. Say negotiators: "ultimately, every country is negotiating for their

[128] Interview with negotiator, May 2009.
[129] Interview with former negotiator, May 2009.

own interests"[130]; "no two countries are alike at the WTO and in the end it comes down to every man for himself."[131] While the coalitions have been and continue to be of considerable value and importance, many developing countries have expressed concerns about being left out of the negotiations and are not entirely happy to let Brazil, India and China negotiate for them.

There are clear stress lines within the developing country coalitions, not only in terms of substantive interests but also strategic approaches. Negotiators report that it is far easier to manage these tensions and maintain unity in the earlier stages of negotiations, but conflicts come to the fore as the negotiations move closer to a deal, putting increasing strain on coalitions. There is widespread agreement amongst negotiators on this: "At the beginning you have very romantic and idealistic proposals that everyone is on board with", "positions are very broad" and "it is very easy to be coordinated." But as the negotiations proceed toward an "end-game scenario" and countries move from broad "rhetoric" to negotiating the specific terms and provisions of the agreement, "that is when differences become more evident" within coalitions and "it becomes increasingly difficult to get a uniform position on any issue."[132] This became particularly apparent at the July 2008 Mini-Ministerial as it appeared that the negotiations might be approaching a conclusion. Tensions that had long been latent in the G20 leapt to the forefront (over issues such as the SSM, willingness to compromise on subsidies, and willingness to make trade offs in industrials), threatening the unity of the coalition and prompting criticism of Brazil's leadership from multiple sides.

[130] Interview with negotiator, April 2009.
[131] Interview with negotiator, May 2009.
[132] Interview with negotiator, May 2009.

Throughout the round, the G20, with Brazil as leader, had focused its attention on the major area of convergence and unity amongst its members – rich country agricultural subsidies – and it had avoided discussing the issues of the SSM and SP within the group or trying to come to a consensus on a G20 position, fearing the issues were too contentious amongst its members and could split the group apart. However, when the SSM emerged as the central issue at the July Ministerial, divisions in the group erupted and Brazil found itself criticized from both sides: countries with vulnerable agriculture sectors like India and China complained that Brazil had abandoned them in their fight for the SSM, while competitive agricultural exporters like Argentina and Uruguay complained that Brazil had caved to political pressure from the former countries – "putting politics above trade" – and not fought hard enough against India to oppose the SSM. In addition, even on the issue of limiting rich country agricultural subsidies – an issue where there is considerable agreement amongst developing countries on broad principals – as the negotiations moved towards an agreement in July, disagreement broke out within the G20 over the appropriate level of ambition and willingness to compromise. With Brazil eager for a conclusion to the round, it indicated a willingness to compromise with the US and accept a level of subsidies far above what some other developing countries deemed acceptable. In the G7, WTO Director General Pascal Lamy put forward a packaged that included a limit of $14.5Bn for US overall trade distorting support (OTDS) (a figure almost double the level of actual US OTDS at that time, but considerably below historical levels). Brazil's willingness to accept this figure displeased certain developing countries (particularly those concerned about their own defensive interests in other areas of the negotiations) who were pushing for US to go down to

$13Bn or below. Other countries were also concerned about the terms Brazil was willing to accept on manufactured products. Countries like Argentina, Venezuela, and South Africa, its allies in the NAMA-11, were very unhappy over the NAMA text and its impact on their prospects for industrialization. They felt Brazil had shown a willingness to trade them off in order to get gains in agriculture, failing to defend what they were asking for and abandoning them in the negotiations.

These dynamics were not unique to Brazil or the G20. Similar tensions also stressed the unity of the G33 and support for India and China as its unofficial representatives in the G7. India and China took a strong stance on the SSM and dug in their heals vis-à-vis the US, with the negotiations ultimately collapsing because of the standoff between these two sides. However, according to negotiators, a significant portion of the G33 membership (and possibly even China, in retrospect) was not comfortable to have the negotiations fall apart over the SSM and preferred to show more flexibility on the issue. This generated resentment towards India in particular for the intractable stance it took and criticism, even from some of those on its own side, that India was just pursuing its own interest in blocking the round, to the detriment of many of G33 members. In the words of one seasoned negotiator, "it was dog-eat-dog at that stage."[133]

The considerable friction evident at the July Ministerial raised questions about the credibility of Brazil and India as representatives and leaders of the developing world. As one negotiator stated about Brazil:

> It's the chair of the G20, it's the country supposedly representing our interests on agriculture, but they simply dropped everyone and represented their own interests. That was a major blow to the developing country

[133] Interview with former negotiator, May 2009.

> coalition... what became very clear in July was as soon as Brazil secured what it wanted in agriculture, they simply left everyone hanging.[134]

Although Brazil and India's reputations as leaders of the developing world were tarnished by these events, they worked hard to repair the damage done and by and large appear to have succeeded in smoothing things over, at least for the time being. The coalitions remain intact and their members continue to express support for Brazil and India and for the coalitions themselves. The biggest factor in this is that other developing countries recognize that "our strength lies in the group."[135] They do not want to break the developing country front and are strongly aware of the need to maintain unity and to patch up any divisions that emerge. However, "this will be tested again. There will be concerns [amongst developing countries] about what Brazil and India are negotiating" purportedly on their behalf.[136] Brazil and India will be under considerable scrutiny from members and there may come a time when for those countries the benefits of this alliance with the new powers no longer outweigh the costs.

Not surprisingly, Brazil, India and China are continually trying to manage these tensions and to ward off fears of their growing dominance, through both their rhetoric of South-South cooperation and the shared goals of developing countries as well as their willingness to trade-off some of their own immediate commercial interests to maintain the support and solidarity of other developing countries. But these tensions and potential sources of conflict amongst the new developing country powers and between them and developing country more broadly create a substantial amount of instability within this new structure of power and in the position of Brazil, India and China. This is a potential

[134] Interview with negotiator, March 2009.
[135] Interview with negotiator, March 2009.
[136] Interview with negotiator, May 2009.

threat particularly to the power of Brazil and India, as purported leaders of developing countries, but not exclusively. China's dependence on alliances with other developing countries also makes it vulnerable to shifts in their willingness to lend support and cover to China. Moreover, China's power is based on walking a delicate line. On the one side, if it is too economically successful, it will face more challenges and attacks from both developed and developing countries (as Japan did in the 1980s). On the other side, however, if growth rates waver, then the underlying source of its power could decline (as Japan did in the 1990s).

In addition to the divergences and conflict in the interests of developing countries that may threaten to unsettle the power of Brazil, India and China, their inclusion in the inner circle has created demands for *more* inclusion. Other developing countries are questioning "why just them, why not others?"[137] If such demands continue and escalate, they could pose a fundamental threat to the structure of elite decision-making that has characterized not only the WTO but global economic governance more broadly.

Conclusion

This chapter has argued that alliances are playing a critical role in contemporary power dynamics within the WTO. Although Brazil, India and China have taken different paths to power, their relationships with other developing countries are extremely important to them all. Brazil and India have used developing country coalitions to propel themselves to power, and all three countries use developing country alliances and solidarity to evade demands that they be treated more stringently in the current round of trade negotiations. The importance of these developing country alliances is evident in the costs the new powers are willing to incur to maintain them (including sacrificing some of

[137] Interview with negotiator, May 2009.

their own immediate commercial interests), as well as in the efforts of the traditional powers to try to break them. The case of the WTO thus highlights the interdependence of the new power of Brazil, India and China. The new structure of power that has emerged at the WTO is multipolar, with the new powers engaged in balancing behavior vis-à-vis the US and EU. The new powers are acting in concert; they have needed to ally together in order to effectively counter the traditional dominance of the US and other advanced-industrialized states.

CHAPTER 5

New Protagonists in Global Economic Governance: Brazilian Agribusiness at the WTO

The existing international economic architecture – the rules, norms and institutions that govern the global economy – was built and heavily shaped by US power (Gilpin 1987; Keohane 1984; Ruggie 1996). Many argue that the global governance institutions and the neoliberal policies they have propagated have been slanted against developing countries and operated to the detriment of their interests, with, for example, IMF-mandated structural adjustment programs producing widespread social and economic dislocation in the Global South, or WTO rules on intellectual property rights generating a significant transfer of resources from poor to rich countries. There has therefore been considerable speculation about whether a shift in the balance of power among states – including the emergence of new developing country powers, such as Brazil, India and China, and a decline in the dominance of the US – could rupture the current trajectory of neoliberal globalization and help usher in an "alternative globalization" and a more equitable and progressive global economic order (Arrighi 2007; Evans 2008; Hardt and Negri 2000; Harvey 2005; Nederveen Pieterse 2000).

As has been established, the WTO, and its predecessor, the GATT, historically operated as a "rich man's club" dominated by the US and a small group of other advanced industrialized states, while developing countries were severely marginalized and subject to substantial economic and political coercion (De Bièvre 2006; Narlikar and Wilkinson 2004; Porter 2005; Sell 2006; Steinberg 2002). In the last decade, however, Brazil waged two high-profile and successful trade disputes against US and EU agricultural subsidies – the cotton and sugar cases – and created a major coalition of developing countries – the Group of 20 (G20) – which helped to destabilize the traditional power structure at the WTO, bring an end to the US and EU cartel over agenda setting and compromise brokering, and put their agricultural policies at the center of the Doha Round. These events have been widely hailed as a major victory for developing countries at the WTO and they generated a tremendous amount of interest and excitement from academics, policymakers, activists and the media (Baldwin 2006; Clapp 2006; Delgado and Soares 2005; Evenett 2007; Fernandes de Oliveira 2005; Grant 2007; Hurrell and Narlikar 2006; Looney 2004; Narlikar and Tussie 2004; Warwick Commission 2008). The G20, for example, has been viewed as a highly successful example of contemporary South-South cooperation being used to project the interests and development concerns of the Global South onto the international stage, in the words of one observer: "the South fighting for the South."(Ruiz-Diaz 2005) Many saw it as a progressive force with echoes of the sort of developing country activism not seen since the efforts of the G77 and the Non-Aligned Movement to construct a New International Economic Order (NIEO) in the 1960s and 70s. However, I will argue that these accounts of Brazil's activism at the WTO – including both the cotton and sugar cases and the G20 – miss one of its central components: the critical role played by business actors, specifically Brazil's agribusiness sector.

In this chapter, I analyse Brazil's behavior and impact at the WTO. I show that Brazil's stance at the WTO has been driven by the rise of its sophisticated and highly competitive agribusiness sector, which has emerged as an influential force in Brazilian trade policy and at the WTO. An extensive literature has documented the role of corporate and business actors in economic globalisation and their influence in global economic governance. Yet the study of private sector actors in global governance has focused almost exclusively on those based in the Global North; meanwhile, developing countries and their business actors have generally been viewed as either inconsequential or victimised by Northern multinationals and the economic governance institutions they dominate. Drawing on the case of Brazilian agribusiness at the WTO, however, I show that states and business actors from the Global South are becoming important and influential actors in global economic governance. Brazilian agribusiness – working with and through the Brazilian state – has had a significant impact on the multilateral trading system, making use of both the WTO's strong dispute settlement mechanism and the Doha Round negotiations to further its commercial interests. In the process, it has posed a serious challenge to the policies of the US, EU and other developed countries. This Brazilian case demonstrates that Southern business interests are now using the global governance institutions created by the states and corporations of the Global North to pry open and expand markets for their exports. Furthermore, the commercial interests of Brazil's agribusiness sector have been advanced by being portrayed as part of the Global South's struggle for development and social justice: the North-South divide is being mobilised strategically as a tool to advance the interests of business actors from the Global South.

Business and states in the governance of economic globalization

Business actors have played a central role in economic globalization. They have been the principal agents driving the increasing integration of the global economy through trade and capital flows that has occurred in recent decades, to such an extent that it is often referred to simply as "corporate globalization" (Evans 2005; McMichael 2005b). Their role in this process has been both economic and political. Corporations have globalized their activities: spreading their business and financial operations across borders, building transnational production chains, engaging in extensive foreign investment and cross-border mergers and acquisitions, and expanding their networks of foreign affiliates. An extensive literature has documented the rise of transnational corporations (TNCs) and their power in the global economy (e.g., Cox 1987; Fagre and Wells 1982; Gill and Law 1989; McMichael 2005a; Robinson and Harris 2000; Sklair 2002). In addition, corporate and business actors have also played a major political role in the political, institutional, and discursive changes that have made globalization possible. A large body of scholarship has analyzed the influence that these actors exercise in global governance (Bartley 2007; Clapp and Fuchs 2009; Cutler, Haufler, and Porter 1999; Fuchs 2007; Higgott, Underhill, and Bieler 1999; Levy and Prakash 2003; Sell 2002). This work has demonstrated the central role that business actors have played in the establishment and implementation of the norms, rules and institutions that govern the global economy.

Globalisation has involved the establishment of new institutional and legal arrangements for the organisation of markets, including an expansion in the authority of institutions like the WTO, IMF and World Bank, and the spread of a legitimating neoliberal discourse (Chorev and Babb 2009; Gill 2002; McMichael 2004). The literature on economic globalisation has shown that this process originated in and has been driven by an alliance of states and capital in the Global North, particularly the US as the dominant global political and economic power (Fligstein 2005; Mann 2001). In the multilateral trading system, for example, it was American corporations and the US government, aided by their European counterparts, who drove the significant expansion of the WTO's authority in the Uruguay Round into the new areas of services, intellectual property, and investment and the strengthening of its enforcement power through the creation of a binding dispute-settlement mechanism (Braithwaite and Drahos 2000; Chorev 2007; Dobson and Jacquet 1998; Drahos and Mayne 2002; Gallagher 2008; Klug 2008; Mortensen 2006; Sell 2006; Shadlen 2005; Wade 2003; Woll 2010).

Studies of globalisation have shown how powerful business actors in the US, EU, and other developed countries, in partnership with their governments, used global governance institutions like the WTO, IMF, and World Bank to press for trade and financial liberalisation and push developing countries to open their markets to foreign goods and capital (Arrighi and Silver 1999; Braithwaite and Drahos 2000; Cox 2008; Evans 2008; Gill 2002; Harvey 2005; Helleiner 2001; McMichael 2004). Developing countries – with the potential complicity of their own states and domestic business groups – have largely been seen as the victims of northern TNCs, exploited in their quest for greater profits. Such an analysis is not confined to academic circles but has driven considerable civil society protest against the influence of Northern TNCs in the global governance institutions (see, for example, Action Aid 2006; Jawara and Kwa 2003; Wallach and Sforza 1999).

Northern TNCs are thus central protagonists in existing theories of economic globalization: corporations from the Global North, in alliance with their governments, have been seen as the agents of globalization and international institutions – like the WTO – their tools. Until now, the story of economic globalization has been primarily a story about Northern business interests. As a result, analysis of the influence of private sector actors on global governance has focused almost exclusively on those based in the Global North, and there has been relatively little attention to private sector actors from the Global South. This has in large part been a reflection of the historical reality that such actors played only a minor role in shaping global governance. However, I argue that as the structure of the global political economy changes and the economic weight of major developing countries grows, our old model for conceptualizing the role of corporate and business actors in global governance – which has focused almost exclusively on Northern actors – is no longer sufficient to capture the contemporary reality.

A core aspect of economic globalization has been a major shift in economic activity to the Global South. Parts of the developing world – particularly the so-called large emerging economies, such as China, India and Brazil – have experienced tremendous economic expansion in recent decades and the emergence of their own powerful business actors, including globally competitive firms and TNCs. Many of their corporations are now among the largest in the world. Examples abound: the world's largest company is now Chinese (PetroChina), as are the two largest banks (the Industrial and Commercial Bank of China and China Construction Bank) and Chinese companies are becoming global leaders across a range of sectors (e.g., Huawei, China Mobile, Lenovo), as are Brazilian (e.g., Vale, Petrobras and Embraer) and Indian firms (e.g., Reliance, Infosys, Wipro, Mahindra and Tata). Companies from Brazil, India and China have been aggressive in expanding their international reach, as evident, for example, in their foreign takeover activity. Chinese firms are making massive investments around the world, prompting a recent headline in The Economist (2010a): "China buys up the world." Similarly, between 2000 and 2008 Indian firms engaged in outward foreign mergers and acquisitions worth over $72 billion (*The Economist* 2010b), which included several prominent deals such as takeovers of Jaguar and Land Rover by Tata Motors and Mittal Steel's acquisition of Arcelor. Business actors from the Global South are now an important force in the global economy and, I show that they are also coming to have a significant impact on its governance.

I argue that the case of Brazilian agribusiness at the WTO demonstrates that a narrow focus on the corporations of the Global North – which has been the dominant approach in the existing literature – limits our ability to analyze and understand the contemporary dynamics of economic globalization and its governance. If globalization's "center of gravity" originated in the Global North (Sassen 2002) – as a project of Northern TNCs and their allied governments – it is evolving. The case of the WTO suggests that we are entering a new phase, in which some of the impetus behind globalization and efforts to shape its governance and direction is shifting to the Global South. States and private sector actors from the Global South are emerging as new agents of economic globalization – they have substantial economic might, are playing an increasingly important role in global governance, and are now key drivers in pushing the expansion of markets.

Within globalization theory, there have been efforts to go beyond an understanding of economic globalization as a project of the Global North. Theories of a "transnational capitalist class" (TCC), for example, posit the emergence in recent decades of a global ruling class, centered on globalizing corporations, that dominates the global system in its own interests (Robinson 2004; Robinson and Harris 2000; Sklair 1997). Similarly, Hardt and Negri's (2000) theory of "empire" understands contemporary global capitalism as a decentered and deterritorializing apparatus of rule rather than one bound to individual states, such as the US. Yet, the emphasis in these theories remains centered on capital and actors originating from the Global North, and there has been little empirical analysis of the behaviour of business actors from the Global South and how it may differ from their Northern counterparts. Moreover, in positing a "transition from the nation-state phase to a new transnational phase of capitalism"(Robinson and Harris 2000), or declaring that the nation state has become anachronistic (Hardt and Negri 2000), such theories tend to overlook the continued role and importance of the state. The suggestion that the traditional nation-state has been replaced by a new "transnational state apparatus," controlled by the TCC and comprised of global governance institutions like the WTO, neglects to recognize that the WTO, for example – an inter-national organization governed by its member states – remains fundamentally centered on states and their interactions. The case of Brazilian agribusiness at the WTO demonstrates the continued importance of states – and specifically of capital working in partnership with states – in the advance of globalization. Brazilian agribusiness has worked in conjunction with the Brazilian state to use an inter-state forum – the WTO – to advance its interests, indicating a critical interplay between states and corporate interests. In addition, theories of a TCC or "empire" suggest that the significance of North-South divisions have decreased, replaced instead by the division of the world into a global ruling class and a global working class, or "empire" and "multitude," respectively (Arrighi 2001). However, the case of the WTO shows that North-South divisions continue to play a significant role in the contemporary politics of global economic governance; moreover, in a striking development, the North-South divide is now being mobilized strategically as a tool to advance the interests of business actors from the Global South.

Brazilian agribusiness has taken an institution created by the states and corporations of the Global North – the WTO – and is now using it in pursuit of its own interests. Rather than rejecting the institutions and principles of neoliberalism, Brazil has turned them against their originators and demanded further market liberalizing reforms from the US and other developed countries. The Brazilian state and its agribusiness sector are actively making use of both the WTO's strong dispute settlement mechanism and the Doha Round negotiations to further their commercial interests. They are strategically combining the dominant neoliberal discourse with a powerful discourse of development and North-South struggle, and employing the Doha Round's nominal commitment to development as a valuable source of leverage. This combination has made Brazil and its agribusiness sector a potent force at the WTO.

Wolves in Sheep's Clothing: Brazilian Agribusiness and the WTO

The Rise of Brazilian Agribusiness

Like many developing countries, the export of agricultural commodities has long played a role in Brazil's economic history, dating back to the colonial era. Well into the early decades of the twentieth century, the Brazilian economy centered on the export of coffee to Europe and the US. It was a situation of classic dependency, with Brazil reliant on the export of cheap primary products and the import of more expensive manufactured goods (Cardoso 1972). Beginning as early as the 1930s, and accelerating in the 1950s-60s, the state sought to foster industrial development through import-substitution and other policies (Evans 1979). Although economic policy during this period emphasized the subordination of agricultural to industrial development, there was nonetheless significant state intervention in the agricultural sector. By the 1980s, however, facing major balance of payments problems, soaring inflation, and the international debt crisis, Brazil embarked on a major program of economic reform and liberalization.

Until then, Brazil's agricultural sector had been based primarily on large plantations producing tropical products for export, small family farms supplying the domestic markets, and peasants engaged in subsistence production. Liberalization transformed Brazil's agricultural sector, prompting the emergence of a large-scale and highly competitive agro-business sector. The foundation for this transformation was laid a decade earlier in the 1970s, with substantial public and private investment – driven by Japanese financing and the Brazilian government's federal agricultural research institute, EMBRAPA – in research to adapt temperate crops (such as soybeans) to Brazil's tropical climate and soils (Goldsmith and Hirsch 2006). A temporary US embargo on its own agricultural exports in the early 1970s threatened global supply and gave impetus to efforts to develop production of these commodities in Brazil (Wilkinson 2009a). This technological innovation enabled Brazil to move away from the tropical products typically exported by developing countries (coffee, tea, sugar, bananas, etc.) to producing and exporting commodities (soybeans, cotton, beef, chicken, pork, etc.) that directly compete with those of the world's dominant agricultural producers – the US, EU, and other countries of the Global North. Rapid expansion and restructuring of Brazil's agricultural sector took off with the economic reform policies of the 1980s and 1990s, which involved removing state intervention from agricultural markets (privatizing state enterprises, reducing subsidies, and eliminating government purchases, marketing boards and minimum support prices), aggressive inflation fighting to stabilize the macroeconomic environment, and the elimination of foreign trade restrictions and barriers to foreign investment.

The market-oriented policies Brazil introduced ushered in rapid export-led growth in the agricultural sector, driven by massive investment and consolidation. In just a four year period, from 2000-2004, total planted area grew by an area larger than the size of Italy or Vietnam (ICONE 2006). Exports grew at rates as high as 20 percent per year (Valdes 2006). This was driven by the expansion of corporate farming, including the emergence of "mega farms" – large, professionally managed corporate farm groups benefitting from economies of scale, many with planted areas in excess of 1 million hectares (equivalent to approximately half the size of the state of New Jersey). Although Brazil is blessed with favourable natural resource endowments (such as an abundance of arable land), the transformation of Brazilian agriculture has been driven by substantial research and development and resulting technological advance, which opened up sizeable new areas of the country to non-traditional crops and made possible significant gains in yields and productivity. The agro-industrial sector is highly sophisticated, based on mechanized, capital-intensive, vertically-integrated production.

Brazil has emerged as an agro-industrial powerhouse: it is one of the most competitive agricultural producers in the world and the leading exporter of a large and growing number of products (see Table 2). Brazil is now the third largest agricultural exporter in the world, after the US and EU, and the country with the largest agricultural trade surplus. Its exports are expected to continue to expand rapidly over the next decade and beyond.

Table 2: Brazil – Selected Agricultural Exports, 2009

	World Rank	Market Share of Global Exports (%)	Projected Growth in Next Decade (%)
Beef	1	30	46
Poultry	1	39	52
Sugar	1	45	40
Ethanol	1	52	155
Orange Juice	1	86	27
Coffee	1	32	*
Soybeans	2	39	33
Corn	3	10	65
Pork	4	12	32
Cotton	4	6	77

Sources: AGE/Ministério da Agricultura, Pesca e Abastecimento, USDA.
* No projections available.

Brazilian agriculture is highly concentrated and foreign TNCs have a significant presence, as they do nearly all over the world. Liberalization prompted a large inflow of foreign investment and increase in the presence of foreign TNCs – including US and EU based firms such as Cargill and Bunge, as well as firms from neighboring Argentina – which helped propel the growth of the sector (Jank, Leme, Nassar, and Filho 2001). However, it would be grossly inaccurate to characterize the Brazilian agricultural sector as dominated solely by foreign TNCs. In the last two decades, there has been a dramatic expansion of Brazilian firms (see Table 3). There are now approximately 20 agribusiness companies in Brazil with annual sales of more than US$1bn and others are poised to soon reach this level (EIU 2010b). Brazilian firms have also moved up the value chain into higher value-added activities and diversified their activities. Grupo Maggi, for example, a major soybean producer, has expanded into trading, processing, and transport. Sugar companies have move into ethanol and energy production. Cosan, once a traditional Brazilian sugar firm, is now the world's largest sugar-cane processor and a biofuels giant – acquiring fuel distribution plants from Esso and entering into a joint venture with Shell to form the world's largest bioenergy operation (Kassai 2010).

Table 3: Brazil's Leading Agribusiness Companies, 2009

Company	Activity	Control	Sales (in millions of US$)
Bunge	Trading	Netherlands	9,747
Cargill	Trading	US	8,406
Brasil Foods	Food Processor	Brazil	5,992
Copersucar	Sugar/Ethanol	Brazil	4,047
JBS	Beef Processor	Brazil	3,376
ADM	Trading	US	3,295
Louis Dreyfus	Trading	France	2,890
Coamo	Coop	Brazil	2,573
Suzano	Paper & Pulp	Brazil	2,426
AMaggi	Producer/Trader	Brazil	2,359
Klabin	Paper & Pulp	Brazil	2,136
Seara	Meat Processor	Brazil	1,753
Marfrig	Beef Processor	Brazil	1,642
Minerva	Beef Processor	Brazil	1,565
Fibria	Paper & Pulp	Brazil	1,464
Imcopa	Exporter/Crusher	Brazil	1,452
Caramuru	Food Producer	Brazil	1,216
C. Vale	Coop	Brazil	1,207
Multigrain	Trading	Brazil	972.2
Lar	Coop	Brazil	822.7
Agrenco	Trader	Brazil	806.5
Cocamar	Coop	Brazil	752.0
Algar Agro	Trading	Brazil	725.0
Carol	Coop	Brazil	723.8
Cosan	Sugar/Ethanol	Brazil	687.8
Arosuco	Fruit Juice	Belgium	684.1
Cooperativa Agraria	Coop	Brazil	662.0
Fiagril	Supplier	Brazil	616.7
Mataboi	Beef Processor	Brazil	599.4

Guarani	Sugar	Brazil	530.4
Vanguarda	Producer – multiple crops	Brazil	456.7
Big Frango	Chicken Processor	Brazil	415.7
Bom Gosto	Dairy Producer	Brazil	383.0
Bela Vista	Dairy Producer	Brazil	332.5
Abengoa	Sugar/Ethanol	Spain	283.3
Barra Grande	Sugar/Ethanol	Brazil	279.0
Cacique	Coffee Producer	Brazil	276.0
Citrosuco	Orange Juice	Brazil	255.8
SLC	Producer – multiple crops	Brazil	223.7
Café Tres Corações	Coffee Producer	Israel	193.4

Source: Economist Intelligence Unit, 2010

Many Brazilian companies have transformed themselves into multinational players, through aggressive campaigns of investment and acquisitions abroad (EIU 2010b). JBS, a Brazilian meatpacker, has become the world's largest beef processor and among the largest poultry and pork processors, with global revenues of US$17bn. It operates in all of the world's major meat-producing markets following acquisitions that included Swift Foods Company in the US; Swift Armour, Argentina's largest beef producer and exporter; 50% of Inalca, one of Europe's biggest beef-producing companies; and Pilgrim's Pride, the largest chicken producer in the US. The merger of two Brazilian firms, Citrosuco and Citrovita, will soon – pending approval from Brazil's anti-trust agency – create the world's largest orange juice producer, with production in Brazil and the US and port terminals in North America, Asia and Europe. Brasil Foods is now among the largest frozen food producers in the world. Companies in the sugar/ethanol sectors are investing aggressively in Latin American, the Caribbean and Africa (Wilkinson 2009a).

There is, however, another side to Brazilian agriculture. While agribusiness is responsible for most of Brazil's agricultural production (75 percent) and nearly all of its exports, the vast majority of the country's farmers (85 percent) are less competitive, small-scale family farmers and subsistence producers (MDA 2009). The expansion of large-scale agribusiness poses a significant threat to Brazil's small farmers. Land distribution in Brazil has historically been among the most unequal in the world; this has been exacerbated by economic liberalization and the industrialization of agriculture, which have increased the concentration of land holdings and resulted in a large displacement of small landholders and workers. The Brazilian Landless Workers Movement (*Movimento dos Trabalhadores Rurais Sem Terra*, MST) – a social movement pursuing agrarian reform through a strategy of mobilizing landless peasants to occupy land since the late-1970s – has been a key force of opposition to agricultural liberalization and neoliberalism in Brazil (Karriem 2009).

Brazilian Trade Policy

Brazil's trade policy and orientation to the WTO is closely tied to its agricultural and economic policy. The dualistic structure of Brazilian agriculture is reflected in government policy-making: Brazil is likely the only country in the world with two agriculture ministries. The Ministry of Agriculture (*Ministério da Agricultura, Pecuária e Abastecimento*, MAPA) formulates and implements policies to promote the development of the agribusiness sector, while a separate Ministry of Agrarian Development (*Ministério do Desenvolvimento Agrário*, MDA) was established in 2000 to administer policies and support programs directed specifically at small farmers and rural workers (such as price supports and subsidized credit) (OECD 2009). Likewise, the different sets of interests are reflected by two separate lobbying organizations: the National Agricultural Federation (*Confederação Nacional da Agricultura*, CNA) representing commercial and large farmers, and the National Federation of Rural Workers (*Confederação Nacional dos Trabalhadores Rurais*, CONTAG) representing workers and small farmers. In Brazilian policy-making, industrialized agriculture and family farming are treated as two separate tracks. But of the two it is agro-industry that is given primacy; the relative weight of the two sectors in Brazilian policy is evident in the fact that MAPA's budget is nearly double that of MDAs (despite the fact it serves only 15 percent of producers).[138] The weight of MAPA is particularly strong in determining trade policy; this is illustrated, for example, in the size of its staff devoted to trade issues, which dwarfs that of MDA (MAPA has approximately eighty professionals working on trade, compared to MDA's ten).

When President Luiz Inacio Lula da Silva and the left-wing Workers' Party (PT) came to power in 2002, there were expectations of a potential shift away from neoliberalism, but the Lula government in fact continued the economic and trade policies of his predecessors. This included privileging agribusiness expansion, based on the notion that Brazil must "export or die", first articulated by Cardoso, Lula's immediate predecessor and the major architect of its liberalization program (Karriem 2009). Agribusiness contributes 28 percent of GDP and is considered an important engine of growth in the Brazilian economy (Damico and Nassar 2007; Valdes 2006). Agribusiness exports are also seen as a central means of generating foreign exchange and avoiding the balance-of-payments problems that historically plagued the country: they are responsible for over 40 percent of exports and 97 percent of the country's balance of trade surplus (OECD 2009). As one Brazilian trade official stated, in speaking about the competing interests of small farmers and agribusiness, "But my sympathies are with agro-business.

[138] Interviews with Brazilian officials conducted May 2009.

Just look at the figures – my macro stability depends on agribusiness."[139] Small-scale farming and subsistence production are seen as a backwards and declining sector – and primarily as a target for social protection and welfare programs – while agro-industry is viewed as a dynamic sector and a key source of growth and prosperity.[140]

The agribusiness sector also has close ties to the state. Agribusiness interests hold considerable sway in the national legislature and many senior-level government appointments are filled by representatives of the agro-industrial sector.[141] Agribusiness had a significant presence in Lula's cabinet. For example, the Minister of Development, Industry and Foreign Trade in his first administration, Luiz Fernando Furlan, was previously Chair of Sadia, one of Brazil's biggest poultry producers, and President of two major industry lobby groups, the Brazilian Chicken Exporters Association (ABEF) and the Brazilian Association of Vegetable Oil Manufacturers (ABIOVE). Similarly, the Minister of Agriculture, Roberto Rodrigues, came from heading the Brazilian Agribusiness Association (ABAG) and the Brazilian Rural Society (Sociedade Rural Brasileira). Likewise, under Cardoso, the key official within the government leading the charge to launch the cotton and sugar cases, Pedro de Camargo Neto, was formerly head of the Brazilian Rural Society (Sociedade Rural Brasileira), which lobbies on behalf of agribusiness. There is also close collaboration between agribusiness representatives and government officials, including the co-authoring of books and articles (e.g., Damico and

[139] Interview conducted May 2009.
[140] This was the consensus view among Brazilian policy-makers interviewed, even those in MDA.
[141] Interviews with government officials, industry representatives, civil society and media in Brazil, May 2010.

Nassar 2007; Thorstensen and Jank 2005), reflecting their shared beliefs and orientation.[142]

Since Lula, the Brazilian government's strategy has been to pursue neoliberal economic policies and export-led growth, accompanied by some social welfare policies and redistribution to improve conditions of the lowest strata of society. During this period, the Brazilian economy has grown rapidly, along with falling unemployment, rising wages, and a growing middle class (Lapper 2010). The Lula government expanded welfare policies through programs such as the *Bolsa Familia*, an income transfer to poor households, and Zero Hunger (*Fome Zero*), a program to combat food insecurity and extreme poverty. These programs have managed to reduce poverty rates, especially rates of extreme poverty, as well as inequality (Soares, Ribas, and Osorio 2007). In agriculture, the dual-track of Brazilian policy has meant a primary focus on expanding agribusiness exports, occurring alongside efforts to assist the family farming sector (e.g., price supports, credit subsidies) and an expanded land reform program to settle landless peasants, although these have fallen far below the expectations of the MST and failed to halt the increasing concentration of land (Frayssinet 2009). The government's policies have received widespread popular support – evident in 80 percent approval ratings for Lula (*Reuters* 2010) and re-election of the PT under his successor, Dilma Rousseff, in 2010. Economic growth, combined with expanded social welfare policies, has created a degree of social consensus around the government's economic and trade policies, including its promotion of agribusiness and export-led growth. Although there has been criticism from social movements such as the MST about the social and environmental

[142] Both of these works were co-authored by representatives of ICONE, the agribusiness think tank discussed below, and Brazilian negotiators at its mission to the WTO.

costs of Brazil's intensive agro-industrial model (MST 2009; Rodrigues 2009), as well as concerns that Brazil is excessively dependent on the export of raw materials to China, potentially recreating colonial patterns of dependency (Furtado 2008), such concerns have not substantially disrupted the direction of its agricultural or trade policy.

With economic liberalization, Brazil's trade policies and orientation towards international trade negotiations underwent a significant shift. Prior to reform, Brazil's old *dirigiste* economy had a strongly protectionist orientation. Trade policy was essential to Brazil's ISI policies, but it was inward-looking and centered on protecting domestic industries against foreign competition from imports. During this period, Brazil played only a relatively minor role in the GATT. Brazil did not assume a role of *demandeur* in the trade regime; its involvement in the negotiation of specific issues was limited and its concerns were primarily defensive, seeking to delay or block the expansion of trade rules (de Lima and Hirst 2006). Brazil's international trade and economic policymaking was highly centralized, with authority concentrated in its Ministry of Foreign Affairs (Itamaraty) which had a high degree of autonomy from domestic social forces (Carson and Power 2009; Shaffer, Sanchez, and Rosenberg 2008; Veiga 2007). This was compounded by the fact that from 1964 to 1985, Brazil was an authoritarian state under military rule: as Evans (1979: 265) states, "one of the military's aims was to "abolish politics," which in practice meant eliminating popular input into the political process." Economic policy instruments were under the control of a strong techno-bureaucracy and government-business relations were generally non-transparent (Veiga 2002). At this time, Brazilian industry was primarily focused on the domestic market. GATT did not pose a significant risk to Brazil's ISI policies, so industry had little reason to be concerned. Overall, the private sector had little engagement in trade policy: it did not coordinate to lobby the government regarding the GATT and rarely participated in the definition of Brazil's negotiating position (Veiga 2002).

This changed as Brazil moved to an economic model centered on export growth and its development orientation shifted outward. While Brazil's trade policy had been primarily determined unilaterally in the past, external trade negotiations took on greater importance in the 1990s with the establishment of Mercosur in 1991 (a regional trade agreement designed to create a common market), the beginning of negotiations for a Free Trade Area of the Americans (FTAA) in 1994, and the establishment of the WTO in 1995. Within the Brazilian state, other ministries became increasingly involved in trade negotiations as they broadened in scope to include important issues of domestic policy (Shaffer, Sanchez, and Rosenberg 2008). The private sector also began to devote more attention to trade policy. Brazil's ISI policies had created sectors that benefited from the old regime of trade protection and were threatened by the prospect of trade liberalization. In the early 1990s, these import-competing sectors managed to maintain primacy in trade policy: a "protectionist block" dominated the expression of private sector interest in trade policymaking and Brazil maintained a primarily defensive posture in trade negotiations (Veiga 2007). However, as economic reforms took hold and the agro-export sector expanded, the scales began to tilt in its favor.

The political participation of agro-business grew significantly in the late 1990s. Under the old corporatist structure of state-business relations, the major business associations were officially sanctioned, funded, and supervised by the state, preventing the emergence of strong business lobby associations (Marques 2008). Now, the burgeoning agro-export sector began to develop their own independent associations, by-passing the old corporatist structures, to articulate their interests and influence policymaking (Marques 2008). Agribusiness lobbying in Brazil organized both along sectors lines (e.g., sugar, beef), as well as in broader cross-sectoral associations (e.g., Brazilian Agribusiness Association). Brazilian agribusiness grew increasingly interested in trade policy and began pressing the state to take more aggressive positions in trade negotiations.[143] They were particularly interested in improving market access and reducing subsidies in developed countries, such as the US and EU, which they believe depress world prices and impede the growth of their exports. The failure of both the FTAA and negotiations for an EU-Mercosur trade agreement made WTO negotiations the priority for agribusiness.[144] Agribusiness had been frustrated with the results of the Uruguay Round – which had promised much but ultimately delivered little trade liberalization in agriculture – and saw the Doha Round as an opportunity to aggressively start reducing trade barriers and other market distortions. Brazilian producers believe that by liberalizing trade and reducing subsidies, Brazil could surpass the US as the world's leading agricultural exporter (Rohter 2005). According to one of Brazil's negotiators:

> Structural changes in the world trading system really can provide Brazil with great opportunities in the future. The WTO negotiations are important because we will probably be displacing the big guys in the global market. That's why we have been pushing so hard on the Doha Round and why we are the major developing country user of the dispute settlement system.[145]

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[143] For example, while only two Brazilian agribusiness representatives attended the Singapore Ministerial in 1996, there were more than 20 at Seattle in 1999. (Interview with Brazilian agribusiness representative, May 2010.)
[144] By 2003, the FTAA was at a deadlock because of differences between the US and Brazil: the US refused to address subsidies or trade remedies in a non-multilateral agreement, and Brazil refused US demands on investment, services, and intellectual property. EU/Mercosur was also stalled.
[145] Interview in Geneva, March 2009.

The pro-free trade stance of Brazilian agribusiness is not shared equally by other sectors of society. Many NGOs, trade unions, social movements, and groups representing small farmers and peasants, including CONSEA, CONTAG, the Brazilian Network for the Integration of Peoples (*Rede Brasileira pela Integração dos Povos*, REBRIP), and the MST, opposed the launch of a new round of WTO negotiations and have argued that Brazil should push against the expansion of trade liberalization at the WTO (Veiga 2007). In addition, Brazil has other economic sectors that are threatened by foreign competition (including many manufacturing sectors, such as electronics, textiles and clothing, shoes, chemicals, and automobiles). Many of these sectors have already suffered significant damage from imports – particularly from China – and are concerned about the potential impacts of further liberalization.[146] But in determining Brazil's trade policy and its negotiating position at the WTO, the concerns of its defensive sectors have been largely outweighed by the potential benefits of liberalization for the agro-export sector and Brazil has demonstrated its willingness to make concessions in these areas in order to secure benefits for its agricultural exporters (Veiga 2007). Brazil has defined its primary strategic interest as seeking further agricultural trade liberalization and opening foreign markets to its exports.[147] Brazil has identified the conclusion of the Doha Round as one of its top foreign policy objectives (*The Economist* 2008a). It is widely expected to be among the biggest winners from the Doha Round and is one of its most active and vocal supporters.[148] Driven by the rise of its agro-industrial sector, Brazil adopted an

[146] Flexibilities secured for developing countries in the Doha Round have helped to reduce the potential costs to Brazil's defensive sectors, but will not be sufficient to shield all sectors from tariff cuts.
[147] Interviews with Brazilian negotiators and government officials, September 2008-June 2009 and May 2010.
[148] Interviews with WTO negotiators and officials, September 2008-June 2009.

aggressive position at the WTO, bringing two high-profile disputes against the US and EU and leading the formation of a coalition of developing countries known as the G20 to push for agricultural liberalization.

Trade Disputes: Cotton & Sugar Cases

Historically, the Ministry of Foreign Affairs controlled Brazil's approach to GATT/WTO dispute settlement and generally received little proactive input from the Brazilian private sector (Shaffer, Sanchez, and Rosenberg 2008). However, in the late 1990s-early 2000s, two prominent cases launched against Brazil under the new Uruguay Round rules and dispute settlement system – a Canadian challenge to Brazilian aircraft subsidies and a US complaint regarding Brazil's intellectual property law in the area of pharmaceuticals – drew unprecedented public attention to the WTO in Brazil and raised awareness among its business sector of the power of WTO dispute settlement.[149] Brazilian agribusiness became eager to use the WTO dispute settlement system to challenge the agricultural policies of the US and EU. Initially, the agribusiness sector pressed the Brazilian government to initiate a case against US subsidies to soybeans, one of the most significant export commodities for Brazil. However, the Ministry of Foreign Affairs (Itamaraty) resisted, concerned about the complexities and financial costs associated with such a case, the risk involved in challenging the US, and the potential political fallout if Brazil were to lose.[150] During the delay caused by Itamaraty, market fluctuations eliminated the technical basis for the case (a rise in soy prices caused US soy subsidies to fall). Ultimately, under pressure from the agribusiness sector and its representatives in the Ministry of Agriculture, Brazil decided to target US cotton

[149] Interview with Brazilian observer, May 2010.
[150] Interviews conducted with Brazilian officials and industry representatives, May 2010.

subsidies. The implications of this move went beyond cotton, as through the cotton case, Brazil was able to challenge a broad range of general support programs that cover not only cotton but several other commodities, including soybeans and corn (Chaddad and Jank 2006). Brazil also decided to concurrently launch a case against the EU on sugar, in an effort to disarm potential criticism that it was targeting the US for ideological or political reasons and to show instead that it was taking a stand against agricultural subsidies in general.

In September 2002, Brazil launched two landmark dispute settlement cases against US cotton subsidies and EU sugar export subsidies.[151] The cotton and sugar agribusiness associations, ABRAPA and UNICA, financed the cases and provided outside council. Brazil won both cases in 2005 (World Trade Organization (WTO) 2005a; World Trade Organization (WTO) 2005b), and their impact was profound.[152] They marked the first time that a developing country had successfully challenged developed country agricultural subsidies. As a result, the EU was forced to reform its sugar support programs to eliminate the offending export subsidies. The US eliminated its most egregious cotton subsidies and was required to pay Brazilian farmers $147 million per year until it fully reforms its cotton subsidy programs in the next 2012 farm bill; should it fail to do so, Brazil was granted the right to impose over $800 million in retaliatory trade sanctions against US goods, pharmaceuticals, and software. Moreover, Brazil's victories were of broader significance beyond the specific commodities they

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[151] *EC – Export Subsidies on Sugar*, WT/DS266; and *United States – Subsidies on Upland Cotton*, WT/DS267.

[152] Unlike other international organizations such as the UN, the WTO system is based on hard law enforced by a binding dispute settlement system. If a country's policies are found to be in violation of its WTO commitments, it is required to bring its policies into compliance, provide compensation to the complainant country, or face retaliation in the form of trade sanctions.

addressed, as they revealed major inconsistencies between US and EU agriculture policies and WTO rules. As one report to US Congress stated, "a review of current US farm programs measured against these criteria suggests that all major US program crops are potentially vulnerable to WTO challenges."(CRS 2006) Brazil's success in the disputes demonstrated the vulnerability of developed country farm programs and raised the prospect that they could be subject to a wave of WTO dispute settlement challenges.

The cases also gave Brazil significant ammunition for fighting US and EU subsidies in the Doha Round negotiations. Brazil was able to use the disputes to construct a David-and-Goliath-like image of itself, as a hero of the developing world taking on the traditional powers. Despite Brazil's major agro-industrial interests in cotton, for example, the issue came to be framed as a struggle of poor, developing country cotton farmers against the US. NGO campaigns, led by Oxfam and the IDEAS Centre, helped link the Brazil cotton case with the plight of poor West African cotton farmers – with Benin and Chad joining the case as third parties – and rally public support against US cotton subsidies.[153] Brazil actively cultivated this association, seeking to convince African countries to join the case and attaching a statement from Oxfam regarding the impact of subsidies on West African cotton producers to its own legal submission. Media accounts speculated that the cotton case "could open the door to an unprecedented assault by some of the world's poorest countries on the agricultural policies of its richest"(Wallis and Williams 2002) The cases came to be widely seen as a "litmus test" of whether the WTO and the international trading system could "work for the poor" (Milligan 2004). One characteristic NGO report, calling Brazil a "poor

[153] The IDEAS Centre was created in 2002 by a former GATT Director-General and a former Swiss trade negotiator, with the mission of "helping developing countries to integrate into the world trading system."

country," talked about US subsidies "robbing Brazil of potential export markets and undercutting the livelihoods of its farmers" (Global Exchange 2004). Brazil's victories were portrayed as "a triumph for developing countries."(*Bridges* 2004) As one Brazilian official indicated, "the disputes were symbolically very important in strengthening our position. They served as very friendly propaganda."[154] The cotton and sugar cases had a strong effect of uniting the developing world behind Brazil, helping it to gain political leadership of the developing countries and to create the G20.[155]

Doha Round Negotiations and the G20

In addition to dispute settlement, Brazil has also advanced the interests of its agro-industrial sector through the Doha Round negotiations. Its primary vehicle for doing so has been the G20, which has had a profound impact on the agenda and dynamics of the round as well as the structure of power at the WTO. Brazil's leadership of the G20 has been so effective because of the sophisticated technical capacity it derived from industry, its willingness to make compromises in order to secure the cohesion of a diverse group of developing countries, and its ability to provide a credible counterweight to the US and EU and to present itself as a champion of social justice and the development concerns of the Global South.

The G20 emerged at the Cancun Ministerial Meeting in 2003. In advance of Cancun, the US and EU jointly proposed a framework for a Doha Round agreement on agriculture. Brazil, however, was deeply dissatisfied with the contents of this proposal, which it believed significantly reduced the level of ambition in the round. Although a member of the Cairns Group – a mixed group of developed and developing countries

[154] Interview conducted May 2010.
[155] Interviews conducted with Brazilian officials in Geneva, September 2008-June 2009, and Brasilia, May 2010.

with export interests in agriculture that had traditionally been the key proponent of agricultural trade liberalization at the WTO – Brazil was dissatisfied with what it saw as the groups' quiescence in the face of this threat.[156] Prompted by the US-EU proposal, Brazil led the mobilization of a new group of developing countries – the G20 – to counter the US and EU and press those countries for greater agricultural reform, particularly on subsidies. Brazil began by approaching India, who had long been an active and vocal participant in WTO negotiations and was seen as a key representative of the defensive concerns of developing countries in agriculture. They quickly assembled a large group of countries that came to represent over half of the world's population and two-thirds of its farmers.[157] Beyond its formal membership, the G20 also received broad support from other developing countries within the WTO.[158] The G20 came together not only to block the US-EU offer, but, driven primarily by Brazil, also arrived at Cancun with its own carefully formulated counter-proposal (Burges 2009; Narlikar and Tussie 2004; Narlikar and Wilkinson 2004). As a result, the Cancun Ministerial – intended to be a key milestone in the progress of the Doha Round – ended in collapse, with the G20's refusal to accept the US-EU proposal on agriculture a central factor in the breakdown.[159]

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[156] Interviews with Brazilian negotiators, Geneva, September 2008-June 2009. Many believe the Cairns Group's muted response was influenced by the fact that its leader, Australia, was then in the midst of negotiating a bilateral free trade agreement with the US and feared reprisal were it to challenge the US proposal.

[157] The G20 currently includes Argentina, Brazil, Bolivia, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Tanzania, Uruguay, Venezuela, and Zimbabwe.

[158] For example, Brazil and the G20 led the formation of the G110 at the Hong Kong Ministerial in 2005, which included the African, Caribbean, and Pacific Countries (ACP), the Less-Developed Countries (LDCs) and the Small and Vulnerable Economies (SVEs).

[159] The proximate cause of the collapse was opposition from many developing countries to the inclusion of the so-called "Singapore Issues" (investment, competition, government procurement and trade facilitation) before the agriculture texts could even be discussed, but agriculture was widely viewed as equally, if not more, contentious (Clapp 2006). The US made it clear that it blamed Brazil and India for the breakdown (see Zoellick 2003).

The consequences of the emergence of the G20 were profound, producing what one Ambassador described as "a tectonic shift at the WTO."[160] It launched Brazil and India – as representatives of the offensive and defensive interests, respectively, in agriculture of the developing countries in the G20 and more broadly – into the inner circle of negotiations as key players whose consent was considered essential to breaking the stalemate and securing a deal. As a WTO Secretariat official stated, the "creation of the G20 completely imploded the Quad,"[161] which was replaced instead by a new core negotiating group centered on the US, EU, Brazil, India and later China.

The G20 also fundamentally altered the dynamic and agenda of the Doha Round. While the dynamic in the agriculture negotiations initially began as a fight primarily between the US and the Cairns Group versus the EU, over the course of the round, the negotiations become largely a struggle between developed and developing countries, with agricultural subsidies in the US and EU a central focus. While at the start of the round, the US saw itself in an offensive position, it has since become the key focus of the negotiations. For the first time, the US – historically the key aggressor at the WTO – found itself isolated and on the defensive, while developing countries assumed the role of *demandeurs*.

Under the leadership of Brazil, the G20 has had a significant impact on the negotiating agenda: not only has the G20 made agricultural subsidies a central issue in the round, but the draft negotiating texts since Cancun have substantively reflected many of its proposals.[162] The G20 has secured: the adoption of a tiered formula for reduction

[160] Interview conducted in Geneva, June 2009.
[161] Interview conducted March 2009.
[162] While a handful of issues in the Doha Round remain outstanding and subject to considerable dispute and the prospects for bringing the round to a conclusion remain uncertain, we know a great deal about what a

of subsidies ("domestic support"), ensuring that countries that provide the most support are required to make the biggest reductions, as well as stiffer criteria for cutting domestic support, such as product-specific caps; substantial reductions in domestic support (compared to historical bound levels), with the EU cutting its overall trade distorting support (OTDS) by 80 percent and the US by 70 percent; a commitment to eliminate export subsidies and impose parallel disciplines on export credit and food aid (among its key demands); non-extension of the Peace Clause (protecting developed country farm programs from WTO challenges), countering the long-standing position of the US and EU; and a "tiered" formula for reducing tariffs, rather than the "blended" formula sought by the US and EU (WTO 2008). Although the final outcome of the Doha Round remains uncertain, the G20 has had a major hand in shaping the contours of the prospective agreement and much of its content. The influence of the G20 is all the more striking in light of the historically marginalized position of developing countries at the WTO and the little or no impact they have had on the terms and substance of previous agreements.

The impact of the G20 is attributable to the strength of the coalition under Brazil's leadership. Brazil had come to the Doha Round seeking to make significant gains on agriculture, but it recognized that it lacked sufficient power operating alone and needed allies.[163] For some time prior to Cancun, Brazil had been looking for ways to form a new coalition of developing countries, but it had been biding its time waiting for the right opportunity, which the US-EU agriculture proposal provided. The US-EU proposal sparked a strong reaction among developing countries, who saw it as an attempt to get

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future agreement would look like based on what countries have already agreed to and the state of the current draft texts.

[163] Interviews conducted with Brazilian officials in Geneva, September 2008-June 2009, and Brazil, May 2010.

them to lower their trade barriers, while at the same time allowing the US and EU to maintain most of their subsidies. They believed it discarded the development agenda of the Doha Round and failed to make any new concessions to developing countries. Developing countries feared that the US and EU were trying to replicate the Blair House Accord – a private agreement between the two countries that ultimately served as the basis for the Uruguay Round agreement and obliterated the hopes developing countries had of making gains in the round. The US-EU agriculture proposal at Cancun thus provided a cause that Brazil could unite developing countries around.

While other large developing countries such as India and China were also members of the group, Brazil was the driving force behind the G20: it created and coordinated the group, provided its strategy and communications, organized and ran its meetings, and produced the majority of its research and technical analysis and its negotiating proposals. In the words of several negotiators – both members of the G20 and countries across the negotiating table – it is Brazil who did the "heavy lifting" for the group.[164] In turn, its agribusiness sector played a powerful and influential role behind Brazil's negotiating team and strategy in Geneva.

Convinced of the importance of the Doha Round, Brazilian agribusiness had decided to invest in creating a specialized trade policy institute dedicated to producing sophisticated technical work to support the Brazilian government in international trade negotiations. It established the *Instituto de Estudos do Comércio e Negociações Internacionais* (ICONE) in April 2003.[165] In the words of one representative, "It was

[164] Interviews conducted in Geneva, September 2008-June 2009.
[165] ICONE was founded with the financial support of Brazil's main agribusiness associations. Its sponsors and advisory board consist of: ABIOVE (Brazilian Association of Vegetable Oil Industries), ABIPECS (Brazilian Pork Industry and Exporter Association), ABIEC (Brazilian Meat Industry and Exporter

like industry contracted out their trade policy work to ICONE, who were the experts and worked on their behalf."[166] Brazilian negotiators evaluate their work as "at the level of the best research in world." But ICONE is forthright about its orientation: as a representative stated in an interview, "We work for agribusiness. We are free traders."[167] ICONE came to have a central role in the formulation of Brazil's negotiating position in the Doha Round.

Despite efforts to increase its own capacity, the Brazilian government was unable to do much of the highly technical work needed for the Doha negotiations on its own and instead relied significantly on agribusiness, through ICONE.[168] Immediately after the founding of ICONE, the government created an informal technical working group to support the work of its negotiators in Geneva.[169] The group was coordinated by Itamaraty and included all of the key government ministries (including MAPA and MDA), as well as ICONE, the national lobby group of the commercial farm sector (CNA), and the national association representing small farmers and agricultural workers (CONTAG). The idea was to include all relevant stakeholders and interests in the group, in order to increase its legitimacy. However, participants report that MDA and its associated farmers group, CONTAG, were hampered by a lack of experience with trade issues and a limited technical knowledge of the WTO[170] and were less active and

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Association), ABEF (Brazilian Poultry Industry and Exporters Association), UNICA (Brazilian Sugar Cane Industry Union), ABAG (Brazilian Agribusiness Association), FIESP (Federation of Industries of the State of Sao Paulo), IRGA (Rice Institute of Rio Grande do Sul).

[166] Interview, May 2010.

[167] *Ibid*.

[168] Interviews conducted with Brazilian officials in Geneva, September 2008-June 2009, and Brasilia, May 2010.

[169] Interviews conducted with Brazilian officials in Geneva, September 2008-June 2009, and Brasilia, May 2010.

[170] DESER (Departamento de Estudos Sócio-Econômicos Rurais, Department of Rural Sociological Studies), the NGO research institute representing Brazil's rural workers and small farmers and providing

influential participants, particularly in the early stages when the direction of Brazil's negotiating position was being hammered out; thus, the real players were Itamaraty, MAPA and ICONE.[171] The group had no official role in decision-making and produced no official documents; concerned about the optics of working so closely with agribusiness, Itamaraty intentionally kept the group informal – "off the books" – such that it was never even given an official name.[172] But it was in this group that Brazil's negotiating position, and ultimately most of the negotiating proposals put forward by the G20, originated.

The informal working group began meeting in the months prior to Cancun and started by conducting an extensive analysis of the US-EU agriculture proposal and preparing a response and counter-proposal. This work was taken directly from Brasilia to Geneva; it became the basis for the G20 proposal at Cancun and remains the core of its platform. The same process continued as the negotiations moved forward. The informal group functioned as a technical working group at the officials level, with participants marking up proposals and engaging in drafting together. During some periods, it would

support to MDA and CONTAG, as late as 2006 lacked an analysis and position on key technical issues in the Doha negotiations (such as tariff reduction formulas, reduction coefficients, tariff peaks, or tariff-rate quotas, TRQs), beyond a generalized opposition to trade liberalization at WTO. (Interviews in Brazil, May 2010)

[171] As the Doha negotiations evolved and grew increasingly focused on determining specific provisions of the future agreement, differences between the two sides within the Brazilian government crystallized primarily in heated debate in the working group over the issues of the SSM and SP. Agribusiness sought to restrict the use of the SSM and SP as much as possible, to maximize its access to developing country markets, while small farmers sought maximum flexibility in the SSM and SP. Ultimately, however, Brazil decided that it would not have to take a firm position either way on the issues. Taking a hard stance to restrict the SSM and SP would alienate its allies and be untenable within the G20. Instead, Brazil realized that it could sit back and let the US and other developed countries push aggressively to restrict the SSM and SP and take the associated political heat. For its part, MDA was left unsatisfied that Brazil had not pushed harder to expand the SSM and SP; while agribusiness was largely satisfied that Brazil had not pushed harder to limit the SSM and SP, viewing this as a necessary and pragmatic approach.

[172] When word of the working group ultimately spread, it generated some criticism. According to interviews, a senator, for example, complained to the agriculture minister about the government working so closely with a research institute advocating on behalf of agribusiness and against the interests of small farmers.

meet as frequently as every week, working for days at a time. ICONE played a central role: it generated the majority of the technical work, providing technical studies of domestic and export subsidies, tariffs and non-tariff barriers, and other issues in the negotiations, running econometric analyses of the impact of different tariff and subsidy reduction proposals, and generating proposals that were given to Brazilian negotiators and from there to the G20. Between 2003-2007, ICONE prepared 62 confidential technical papers and simulations for the Brazilian government (ICONE 2007a). ICONE's analyses were instrumental for the development of Brazil's, and consequently the G20's, negotiating positions.[173] Detailed negotiating proposals based on the work of ICONE would be formulated in the internal working group; Brazil would then take them to the G20 membership, where they would be modified slightly, and subsequently presented at the WTO as the official G20 position. ICONE also had an active presence in Geneva: it attended G20 meetings and strategy sessions (notably, the only non-state actor to do so), as well as accompanying the Brazilian negotiating team to formal meetings and negotiating sessions at the WTO.[174]

As the key source of technical inputs for the G20, ICONE was an instrumental force in the group. As one Brazilian negotiator stated, "to explain the G20 you have to talk about ICONE."[175] A participant at Cancun explained:

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[173] For example, the G20's push for product-specific caps on subsidies and the criteria it put forward for how they should be determined was driven largely by ICONE (G20 2005b; G20 2007; ICONE 2006; ICONE 2007b). Similarly, the G20's position on the tariff reduction formula in market access – its rejection of the US-EU proposal for a blended formula and its own proposal for a tiered formula (G20 2004; G20 2005a) – came from ICONE's research and analysis. Information obtained in interviews with G20 negotiators, Geneva, September 2008-June 2009, and Brazilian officials and ICONE representatives, June 2010, and confirmed through review of private ICONE documents prepared for and presented to G20 and the subsequent G20 proposals.

[174] Interviews conducted with Brazilian officials in Geneva, September 2008-June 2009, and Brazil, May 2010.

[175] Interview, June 2009.

> Cancun was the first time Brazil came to the table with strong technical support; they had ICONE – they were the guys with the numbers – so it was very private sector driven. It showed Brazil had the numbers, the capacity of putting together a proposal that was technically sound, solid. That was the driving force for the G20 – it was a technically-driven, market-driven initiative.[176]

Brazil's technical capacity – its ability to produce complex, technically sophisticated proposals and counter-proposals, with compelling rationales – provided a significant draw for other developing countries and marked a major change from previous developing country coalitions. The lack of technical capacity is part of why developing countries have historically been disadvantaged at the WTO. Most developing countries at the WTO have very limited technical capacity, which has contributed to their disadvantaged position at the WTO and impaired their ability to defend their interests effectively. Many developing countries (including Brazil) believe that they were taken advantage of in the Uruguay Round – effectively duped into signing an agreement against their interests – because they lacked the technical expertise to fully understand what they were signing on to and its implications. The need for technical knowledge and expertise is particularly acute in the agriculture negotiations, which are extremely complicated. Members of the G20, and developing countries more broadly, were willing to allow Brazil to represent them in large part because it could respond effectively to dominant countries like the US and EU. Under the leadership of Brazil, the G20 could provide the technical expertise that is critical for countries to engage effectively in WTO negotiations. As one negotiator explained:

> For the first time, a developing country group proved to be technically effective. We weren't just saying 'no' but 'no, and this is how we think it should be done' and we were producing technically sophisticated proposals with a solid rationale. Now, when the US, Japan, or whoever

[176] Interview, May 2010.

> comes to the table with sheets of paper saying 'we need something', we can prove their arguments are bogus – that they're hiding aspects of their policies or ours – and put it on the table. For example, in one meeting on market access, we had computers going and could immediately check the consequences of their proposals – we had tables, databases we could run instantly. We knew right away it would have the effect of shielding x and y and z and wouldn't work for us.[177]

This technical capacity was critical to the G20's success. As another negotiator stated, "How to explain the success of G20? It was the technical capacity of Brazil – that technical capacity was the miracle making it possible for us to make proposals and convince people."[178] The G20's technical capacity – including the majority of its analysis and proposals – originated overwhelmingly from Brazil, and specifically from the agribusiness sector through ICONE.[179]

Brazil's – and hence ICONE's – technical dominance, relative to other members of group, gave it significant influence. A participant described the dynamic in the G20 meetings as follows:

> In agriculture, Brazil had way more technical work than anyone else, so it was easy to present a position and have other countries accept it. Many other countries had no idea of what the impact would be. Sometimes the meetings were like a class on how subsidies work, how each country should calculate its position, what the impact of subsidy reduction would be. And agriculture is very technical, so it was easy to be influenced by countries that were more technically prepared.[180]

This technical expertise was a key reason other developing countries were willing to get behind Brazil, but it also gave Brazil – and its agribusiness sector – considerable sway over the orientation and agenda of the group.

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[177] Interview conducted June 2009.
[178] Interview conducted June 2009.
[179] Interviews with G20 members and other delegations, Geneva, September 2008-June 2009.
[180] Interview, May 2010.

The technical capacity that Brazil provided was not the only reason developing countries were willing to follow its lead in the G20. The G20 was not the first developing country coalition at the WTO. Recognizing the necessity of alliances in order to offset the pressures they faced from the US and EU and to increase their bargaining power, several developing country coalitions emerged, for example, in the Uruguay Round. However, not only were these coalitions weakened by a lack of capacity and an inability to produce their own technical analysis and concrete proposals, but they had extreme difficulties maintaining unity in the face of external pressures – including economic and political coercion from the US and EU – and many ultimately unraveled. Following the Uruguay Round, when many developing countries found themselves deeply dissatisfied with the results of the round, they placed considerable blame on their inability to maintain coalition unity, which significantly weakened their negotiating power vis-à-vis the US and EU. In the words of one G20 member, "the problem we had in the Uruguay Round was the lack of solidarity and unity of developing country members."[181] Members of the G20 were therefore eager for an effective coalition and placed great importance on maintaining unity in the face of the traditional powers.

Brazil's leadership and willingness to challenge the US and EU and its success in securing a number of important victories for developing countries – not only in the cotton and sugar cases, but also in the fight to ensure that WTO intellectual property rules (the TRIPS Agreement) did not impede access to essential medicines (such as HIV/AIDS drugs) in developing countries – lent it credibility as a leader of the developing world and helped it to gain broad support. President Lula's tremendous international popularity and image as an advocate for the poor and marginalized further enhanced Brazil's "soft

[181] Interview with G20 member, Geneva, May 2009.

power" influence at the WTO. Brazil actively framed the G20 as a central part of a shared struggle of poor countries for development. The official statement by Brazil's Foreign Minister, Celso Amorim, at the Cancun Ministerial, for example, began by referencing President Lula's commitment to "social justice" and "the plight of the poor" and went on to state that "none of the other issues in these negotiations remotely compares to the impact that the reform of agriculture can have on the alleviation of poverty and the promotion of development" and identified the objective of the G20 as bringing the world trading system "closer to the needs and aspirations of those who have been at its margins – indeed the vast majority – those who have not had the chance to reap the fruit of their toils." (WTO 2003) Brazil portrayed the G20 as "the voice of developing countries" (Amorim 2003), created to "defend the commercial interests of developing countries in the Doha Round" (Amorim 2009). President Lula called the Cancun breakdown "an historic moment, in which poor countries managed to block commercial victories of rich countries"(cited in Trindade 2003) and declared that the G20 "aims at putting an end to the current distortions of agricultural trade and, as a consequence, will bring better living conditions to billions of farmers in the world." (Silva 2003) Discourses of developing country solidarity and North-South struggle served as a potent integrating frame for the G20, and its ability to mobilize a discourse of development – along with an agenda of subsidy reduction that accorded with the dominant free trade principles of the WTO – added considerable power to the G20 and Brazil's leadership.

The G20's formation "electrified" the ranks of developing countries at the WTO,[182] who had been previously largely marginalized and excluded from trade negotiations. Its success at Cancun and in subsequent years helped to consolidate support for the group and Brazil's leadership. The G20 showed itself to be capable of providing a significant counterweight to the traditional domination of developed countries at the WTO. It increased the participation and influence of developing countries, as a group, and enabled them to push back against pressures from the US and EU. In the past, the position of developing countries at the WTO has been weakened by the fact that they have typically been on the defensive, seeking to resist the efforts of other countries to gain greater access to their markets. However, by enabling developing countries to aggressively challenge the agricultural policies of developed countries, the G20 significantly strengthened the position of developing countries, including their ability to protect their own markets. The G20 drew attention to the hypocrisy of the US and EU – who had been preaching a doctrine of free trade while nonetheless engaging in extensive protectionism in their own agriculture sectors – and delegitimized their negotiating positions in the Doha Round. To quote one negotiator: "it's always good to be aggressive against the EU and US just to defend your *own* position."[183] From a strategic perspective, the G20 and its critique of rich country agricultural subsidies improved the negotiating position of developing countries, helping them both to better defend against the demands of developed countries and to extract greater concessions from them.[184] The

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[182] Interview with WTO delegate, Geneva, December 2008.
[183] Interview with WTO delegate, Geneva, May 2009.
[184] Developing countries as a whole, for example, were able to secure significantly lower tariff reduction commitments than developed countries in agriculture and manufactured goods. The G33, a coalition of developing countries with defensive concerns in agriculture, secured a commitment that the Doha agreement would include special safeguards and flexibilities for developing countries to enable them to further protect their markets (the "special safeguard mechanism" and a "special products" exemption). The

G20 significantly enhanced the collective power of developing countries vis-à-vis the US and EU; as one member stated, "our strength lies in the group."[185]

The G20 is a diverse group, encompassing countries with both offensive and defensive interests in agriculture (that is, both competitive agricultural exporters seeking liberalization, as well as countries with vulnerable agricultural sectors seeking to protect their markets). It has required skilful engineering and a careful balancing act to bring together and maintain a coalition of countries with such divergent – and potentially conflicting – interests. India's participation in the group, seen as the key representative of the defensive concerns of developing countries in agriculture, gave comfort to importing developing countries that their interests would be looked after and provided a counterbalance to Brazil's leadership. The G20 was able to reach a common position in part by leaving aside the most difficult and contentious issues – related to how much developing countries should be forced to open their agricultural markets, embodied in the issues of a special safeguard mechanism (SSM) and special products exemption (SP) – for fear they would break the group. In order to make the coalition possible, Brazil actively reached out to the other members of G20, and then the G110 at Hong Kong, pragmatically making concessions in order to appease these countries as well as its own domestic defensive interest groups (MDA, CONTAG). The compromises Brazil made included reducing its market access demands, agreeing in principle to some kind of SSM

least-developed countries (LDCs) were able to secure duty-free, quota-free market access (DFQFMA) to developed country markets.

[185] Interview with G20 member, Geneva, March 2009. The importance of the G20 in upsetting traditional power relations at the WTO is further evident in the efforts of other actors, such as the US, to break the group. Following Cancun, the US publicly denounced the G20 and sought to undermine its credibility (see comments of then-US Trade Representative, Zoellick 2003) and used strong-arm tactics – the threat of halting the negotiations for bilateral free trade agreements it was currently engaged in with five of the original G20 members – to force those countries to withdraw from the coalition. The G20 was able to withstand the pressure from the US and replace the lost members and remained intact.

and SPs for developing countries (without specifying exactly what form they would take or how they would be operationalized), and showing solidarity with other developing country groups and supporting their demands, such as for DFQFMA. This was a strategic decision on the part of Brazil. Brazil has an interest in reducing the tariff barriers it faces in both developed and developing country markets. Its agricultural export markets are increasingly concentrated in the developing world, which represent its key source of future demand growth; in these markets it competes heavily with subsidized agricultural products produced by the US, EU and other developed countries. At the WTO, Brazil was willing to make a trade off and sacrifice some of its ambition on market access – particularly its desire to gain greater access to growing developing country markets – in order to make alliances with other developing countries and form the coalition needed to challenge developed country agriculture subsidies, and thereby improve its competitive position in global markets.

The G20 has remained remarkably cohesive in light of the immense challenges involved in managing such a diverse group of countries and interests. But this does not mean that it has been without tensions, or that its members have had no reservations about Brazil's leadership. Strains within the group grew particularly acute, for example, as the negotiations reached their later stages at the July 2008 Mini-Ministerial meeting. At that point, in green room meetings with the US and other powers, Brazil expressed satisfaction with and a willingness to accept the agreement then on the table and pressed for the agreement to be concluded. This caused considerable dissention within the G20: many countries were dissatisfied with the proposed agreement and frustrated with Brazil for championing an agreement that did not adequately address their concerns.[186] As a result, Brazil's claim to be representing the interests of the G20 lost some credibility, as it was seen as representing solely its own interests. Yet Brazil worked promptly to repair the damage – backing off from its vocal support for the agreement and expressing greater sensitivity to the concerns of other developing countries – and was able to recover quickly. For their part, G20 members – whose collective power had been so enhanced by success of the coalition – were eager to smooth over differences and ensure the coalition remained intact. They continue to strongly support the G20 and Brazil's leadership.

Framing Developing Country Concerns in the Doha Round

The G20 centered on the issue of rich country agriculture subsidies.[187] Today, most WTO negotiators and observers view this as a "natural" issue for developing countries to ally themselves around, with the argument that they artificially depress prices and undermine the competitiveness and livelihoods of the world's poor farmers. But a closer analysis shows that this is largely a product of how successful Brazil and ICONE – through the G20 – have been in framing the issue. The present conception of agriculture

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[186] The natural divisions in the group grew more salient and Brazil found itself criticized from multiple sides. Countries with vulnerable agriculture sectors like India and China complained that Brazil had abandoned them in their fight for the SSM, while competitive agricultural exporters like Argentina and Uruguay complained that Brazil had not fought hard enough to oppose the SSM. Even on the issue of agricultural subsidies, disagreement broke out over the appropriate level of ambition and willingness to compromise. With Brazil eager for a conclusion to the round, it indicated a willingness to accept a level of subsidies above what some other developing countries deemed acceptable. Yet other countries objected to the tariff reductions Brazil was willing to accept on manufactured goods. Various members of the G20 felt Brazil was failing to defend what they were asking for and abandoning them in the negotiations. One commented, "as soon as Brazil secured what it wanted in agriculture, they simply left everyone else hanging."(Interview with G20 member, March 2009) However, even then – the closest the G20 had gotten to a crisis moment – the coalition remained intact. The tensions did not break the coalition; the crisis past and members continued to express support for Brazil's leadership.

[187] It also pursued reductions of tariffs in rich countries, but its position on this issue was much weaker and less aggressive, given that many of its members had their own very high tariff levels that they sought to protect. On the issue of improving access to developing country markets, there was no consensus within the group – with its offensively- and defensively-interested members taking opposing positions – and the issue was put aside with no joint position ever reached.

subsidies as a development issue – and indeed, the pre-eminent development issue in the Doha Round – was not pre-given, but *constructed* by the G20, in the sense that it drove the understanding of the issue that has now become dominant.[188] The current framing of the agricultural subsidies issue has become so deeply embedded – taken for granted, effectively naturalized – that many have forgotten it is actually relatively recent. In fact, at the start of round, the issue was cast very differently: agricultural subsidies were primarily seen as a problem that the US and the Cairns Group of agricultural exporters had with the EU. Over the course of the Doha Round, the framing of the issue changed completely. The G20 re-constructed agricultural subsidies as a development issue, in which developing countries were pitted in a struggle against rich countries like the US and EU. The subsidies issue became a *cause célèbre* of developing countries. It generated enormous attention from the public and the media, even in quarters that typically paid little attention to the WTO. Agriculture subsidies were portrayed as a critical development and global poverty issue, even among the most important and most pressing concerns of the developing world. In the words of James Wolfensohn, as head of the World Bank, "these subsidies are crippling Africa's chance to export its way out of poverty."(Kristof 2002) The issue was seen as exposing the hypocrisy of the developed countries and the unfairness built into the existing rules of the international trading system. The demand was not to fundamentally alter the existing rules but supposedly to make them "fairer" to developing countries by forcing rich countries to stop subsidizing their agricultural products, creating "a level playing field" on which all countries could

[188] The argument is not that the G20 was the first to link agriculture subsidies to development or to the concerns of developing countries, but that it was because of the G20 that this became the dominant framing of the issue.

compete "equally."[189] In the process, the G20 helped make agriculture the central focus of the Doha Round – as one Brazilian negotiator stated, "this round is an agriculture round."[190] The agricultural subsidies issue became a key justification and source of momentum for the entire round, with nearly all accounts claiming that the round is critical to the development needs of the Global South and that developing countries would be hurt the most if it is not concluded.

In framing agricultural subsidies as a development issue, Brazil and the G20 were aided by other actors, such as international NGOs. Many NGOs had initially opposed the launch of the Doha Round, but their efforts had failed. Once the round was underway, many NGOs made a pragmatic decision to shift their strategy to trying to find ways to advance the interests of developing countries within the negotiations and help them secure the best possible deal. NGOs were constrained by the fact that the general framework for the negotiations – the issues and areas that were being negotiated – had already been laid out. In addition, many had tried advocating on issues that presented a more radical challenge to the international trading system, such as those that would restrict market liberalization, but had found there was no appetite for this sort of change at the WTO and that it was not within their reach. As a result, many NGOs decided that they needed "to focus on where change is likely to happen."[191] The subsidies issue was particularly attractive because it appealed to the pro-liberalization narrative of the WTO, which as one NGO representative indicated, "helps to push the issue up on the

[189] See, for example, (G20 Ministerial Communiqué September 9, 2003)
[190] This was in sharp contrast to many of the pre-existing conceptions of development, in which it was equated with industrialization and agriculture was seen as the antithesis of development.
[191] Interview with NGO representative, Geneva, May 2009.

agenda."[192] NGOs also saw the issue as a means to draw attention to the hypocrisy of Northern governments and, in the words of Oxfam, the "rigged rules and double standards" of the international trading system (Oxfam 2002). Moreover, many NGOs had bought into the conventional wisdom and prevailing economic orthodoxy exports are a tool for developing countries to achieve economic growth and reduce poverty and that helping the poor gain greater access to global markets by removing market distortions would aid development and poverty reduction (see, for example, Oxfam 2002). As a result, they genuinely believed that reducing rich country agricultural subsidies was a way in which the Doha Round could benefit developing countries.

Brazil actively cultivated relationships with international NGOs, particularly those based in the US and EU (such as Oxfam and the Institute for Agriculture and Trade Policy), which they used to increase pressure on those states. Brazilian negotiators met frequently with NGOs in Geneva, giving them "a free pass" to the Brazilian mission and sharing strategy, analysis, talking points and messaging.[193] Lacking technical capacity themselves, NGOs would go to Brazil for help with their numbers (and those of the West African cotton-producing countries they were supporting).[194] Many NGOs made agricultural subsidies a central emphasis of their trade campaigns and were extremely influential in shaping public and media opinion on the issue. According to Brazilian negotiators, "the way we handled international public opinion was also responsible quite a lot for the success of our strategy" and "NGOs were quite an important weapon in the

[192] Interview with NGO representative, Geneva, April 2009.
[193] Interview with Brazilian delegate, Geneva, March 2009.
[194] Interviews with NGO representatives, Geneva, September 2008-June 2009. Brazil also tried to use NGOs to convince the C-4 countries to join the cotton case against the US as third parties.

public opinion battle."[195] Although officially neutral in the Doha negotiations, the WTO Secretariat also aided in fostering the association of subsidy reduction with development, as it was not only ideologically opposed to subsidies but also eager for justifications for the WTO and the Doha Round. The issue made for strange bedfellows, with Southern governments, development NGOs, the WTO Secretariat, the World Bank, and the US free market think tanks and anti-tax lobby groups (such as the Cato Institute) allied together in opposition to agricultural subsidies (Margulis 2010). Brazil's Foreign Minister described this as "a virtuous alliance among those who support free trade and economic development throughout the globe."(Amorim 2003)

The G20 was portrayed as projecting the interests of the Global South into the international arena: according to Brazil's Ambassador, "developing countries expressing their interests as one."[196] But there is reason to question this purported concurrence of interests – and how well the G20 truly represents the interests of developing countries. For Brazil – the driving force behind the G20 – the group has been useful, in the words of one of its negotiators:

> because it provides credibility, and in trade negotiations to some extent you have to disguise the fact that you're a greedy bastard. So you put lofty ideas in your presentation, you show a willingness to partner in coalitions and disguise that you're going for the kill. Pardon my language, my frankness, but I think people tend to hide these things too much.[197]

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[195] Interviews conducted with Brazilian officials in Geneva, September 2008-June 2009, and Brazil, May 2010.

[196] Interview, June 2009. This is echoed in statements from Brazil's Foreign Minister, Celso Amorim, describing the G20 as "the voice of developing countries" (Amorim 2003) and indicating that Brazil created the G20 to "defend the commercial interests of developing countries in the Doha Round" (Amorim 2009). Then-President Lula's rhetoric conveyed a similar message, calling the Cancun breakdown "an historic moment, in which poor countries managed to block commercial victories of rich countries."(Trindade 2003) and stating that the G20 "aims at putting an end to the current distortions of agricultural trade and, as a consequence, will bring better living conditions to billions of farmers in the world." (Silva 2003)

[197] Interview, May 2009.

With the G20, the subsidies issue was tied to "lofty ideas" of development, developing country solidarity, empowering developing countries and righting imbalances at the WTO. Yet these notions also served to disguise whose commercial interests were truly at play.

Reducing rich country agriculture subsidies came to be framed as a shared interest of developing countries. But the reality is far more complicated. Only a small proportion of developing countries are globally competitive with the export capacity to benefit from liberalization in agricultural markets and subsidy reduction. Brazil has a large-scale and highly competitive industrialized agricultural sector, based on technologically-advanced, capital-intensive, vertically-integrated, intensive production. However, in sharp contrast, the vast majority of developing countries have weak agricultural sectors consisting primarily of vulnerable peasant farmers. Gains from the Doha Round are thus expected to go to only a few countries, with Brazil being one of the biggest beneficiaries, while for most developing countries, the costs associated with the round could well outweigh any potential gains (Polaski 2006). Most poor countries are net importers of food products that are heavily subsidized by rich countries, meaning that these subsidies have the effect of transferring income from tax payers in the Global North to consumers in the Global South (McMillan, Zwane, and Ashraf 2006; Valdes and McCalla 1999). For these countries, the net effect of reducing rich country agricultural subsidies may in fact be harmful as, to the extent that it achieves its intended objective of raising global agricultural prices, it would increase their cost of food (Bhagwati 2005; Birdsall, Rodrik, and Subramanian 2005; McMillan, Zwane, and Ashraf 2006; Panagariya 2005; Polaski 2006; World Bank 2008). This is of particular concern given that many of these countries are facing high rates of poverty and already struggling to feed their populations in the face of rising food prices and growing global food insecurity. The unqualified assertion that removing subsidies in rich countries will bring net gains to developing countries as a whole is therefore highly questionable (FAO 2008). At the very least, the ultimate implications of reducing subsidies for developing countries and the poor are complex and uncertain.

Another element of complexity that has been lost in the current framing of the subsidies debate, which has tended towards a sweeping condemnation of subsidies, is that many developing countries are themselves subsidizers and this is seen as a key part of their development and food security policies. Although the level of support to producers in the developing world is relatively low compared to that provided by the US, EU and other developed countries, many developing countries do make use of subsidies and support is often concentrated in certain commodities. In China, for instance, such subsidies have been increasing as the country grows richer and seeks to redistribute some of those gains and improve rural households' income (OECD 2009). To take the example of cotton, although US subsidies have drawn nearly all of the attention, several developing countries also provide significant direct assistance to their cotton producers and many others apply import tariffs (World Bank 2008). In China, direct subsidies to farmers constitute over 40 percent of their income from growing cotton; in Brazil, cotton subsidies constitute between 20-30 percent of gross farm receipts (OECD 2009). Subsidies, along with other interventionist policy tools such as price supports, state trading enterprises, and tariffs, are increasingly seen as important for developing countries to improve food security and rural incomes, particularly in light of the recent global food crisis. However, this nuance is lost in the sweeping condemnation of subsidies.[198]

Despite the focus on agricultural subsidies at the WTO, there are alternative policies that could be of greater importance to the interests of many developing countries (and especially their most vulnerable agricultural producers and consumers). These include, for example, policies to address market concentration and the power of TNCs, commodity agreements to improve prices for developing country producers, and trade rules to allow governments to create food reserves and engage in supply management (both to boost prices for producers and prevent food crises). Such ideas have occasionally been floated – by states, NGOs, and other actors – in the milieu of the WTO, but received far less attention than the agricultural subsidies issue. For Brazil and its agribusiness sector, who have been so influential in driving the developing country agenda at the WTO, such policies – which would mark a move away from opening markets – have no appeal. When asked if they have ever considered advocating these types of policies, which many believe would be of greater benefit to the developing world than reducing agricultural subsidies, one Brazilian negotiator explained: "No. We don't like it. The most competitive one is the one who would be paying for that. We'd be paying for others to acquire their capacity. Our argument is just open markets." Given the roots of its policy in agro-business, Brazil has a specific direction it is interested in pushing the negotiations in: its primary objective is to further liberalization to benefit its

[198] Developing country agricultural subsidies are largely exempt from the Doha Round negotiations, which explains in part why they have received so little attention. Some NGOs and other actors are misinformed or lack awareness of the existence of such subsidies. One NGO report, for example, states that a reduction in US cotton subsidies would help "farmers in developing countries like Brazil that do not have the benefit of government subsidies"(Global Exchange 2004); however Brazil does subsidize cotton production, as do many other major developing country producers.

exporters. For Brazil, the “development” dimension of the Doha Development Round means simply opening markets.

The G20 and the cotton case helped to project the interests of Brazilian agribusiness – and a handful of other competitive agricultural exporters – as the interests of the Global South. Over course of the Doha Round, its ‘development’ dimension has been progressively boiled down to a focus almost exclusively on agricultural liberalization (Wilkinson 2007). The influence of Brazil and its agribusiness sector is critical to explaining why agriculture has become such a central part of the round. It has also significantly shaped the direction that developing country “activism” has taken in the current round, with an intense focus on liberalizing agriculture markets through the removal of subsidies, rather than advocating policies that would mark a more radical departure from the WTO’s traditional neoliberal trade paradigm. While it might have been expected that the rise of developing country power at the WTO would prompt a shift away from the neoliberal policies of the past – which emerged under the dominance of the US and other industrialized states – this has not been the case. The influence of Brazil and its agro-business sector in driving the G20, and thus the rising power of developing countries, is a key part of explaining why this shift in power has not resulted in a more fundamental challenge to neoliberal trade policy at the WTO.

Conclusion

The case of Brazilian agribusiness at the WTO demonstrates how powerful business actors from the Global South are making use of existing governance institutions and discourses to advance their interests. They have taken the tools created by the states and corporations of the Global North and are now turning them against their originators, using the WTO and its neoliberal discourse, combined with a discourse of development, as a powerful combination to press for agricultural liberalization and expand markets for their exports.

Existing theories of economic globalization have characterized it primarily as a project of the Global North – its corporate and business sector actors in alliance with their governments. This case has important implications for our understanding of globalization, as it demonstrates that the locus of economic globalization no longer rests solely in the Global North. New agents of economic globalization have emerged in the Global South – they have substantial economic might, are playing an increasingly important role in global governance, and are now key *demandeurs* pushing for the expansion of markets.

While it might have been expected that rising developing country powers at the WTO could challenge its neoliberal policies – which emerged under the dominance of the US and other industrialized states – this has not been the case. The influence of Brazil and its agro-business sector in driving the G20, and thus the rising power of developing countries, is a key part of explaining why this shift in power has not resulted in a more fundamental challenge to neoliberal trade policy at the WTO. Although Brazil employs a discourse strongly reminiscent of the Third Worldism of the 1960s and 70s, the agenda it is pursuing at the WTO fits solidly within its neoliberal paradigm. Measured by its booming exports attest, Brazil has been among the major beneficiaries of liberalization of the global economy. Rather than rejecting the principles and institutions of neoliberalism, Brazil has embraced them.

While the analysis presented here has focused on Brazil and the WTO, there is reason to believe that this phenomenon is not unique but extends to other large emerging economies and other arenas of global governance. China and India and their business actors are becoming major players in the global political economy, and like Brazil, wrapping their commercial interests in a discourse of development and developing country solidarity. Beyond the WTO, for example, Chinese companies have made massive investment in Africa and other developing countries, to the extent that China is now a bigger lender to the developing world than the World Bank (Financial Times 2011a). Although these investments are driven primarily by an interest in securing access to raw materials, China has used a free trade discourse combined with a discourse of development, South-South solidarity and cooperation, and anti-colonial struggle, to create a powerful narrative and justification for the activities of its corporations.

CHAPTER 6

A Delicate Dance: Constraints on the New Powers

In efforts to understand the shift in global power relations, the new developing country powers are frequently lumped together as "the BRICs."[199] It is assumed that their economic stories are similar – "large emerging economies" with booming exports and rapid growth – and that they will therefore act in similar ways. When differences among these countries are acknowledged, they tend to be reduced to a footnote, rather than being systematically explored or examined. However, the analysis presented here suggests that there are important differences in their economic situations – specifically, the nature of their integration into the global economy and the structure of their export interests – that shape their behavior at the WTO and their impact on global governance. This chapter compares the behavior of India and China at the WTO with that of Brazil, discussed in the previous chapter.

In the last decade, Brazil, India and China have emerged as major powers in the global economy – Brazil in agriculture, China in manufacturing, and India in services. At the WTO, all three countries have major offensive trading interests: they are each highly competitive producers in their respective sectors and their success in world trade has been a key driver of their recent economic dynamism and growing economic might. One would therefore expect the new developing country powers to be aggressive in pursuing their offensive interests in the current Doha Round of trade negotiations and seeking to

[199] The fourth "BRIC", Russia, is not yet a member of the WTO and thus excluded from the present study.

use the WTO to remove barriers to their exports and gain greater access to foreign markets. Yet, of the three, only Brazil has embraced such a role, becoming a major agenda-setting force in the negotiations. In sharp contrast, China's role has been the opposite: despite its economic might and interest in trade liberalization, it has maintained a very low profile and been a relatively marginal player in the Doha Round. India's behaviour has fallen in the middle of these two extremes: it has played an aggressive agenda-setting role in the agriculture negotiations, but not in services, where its most significant commercial interests lie. The puzzle then is two-fold: first, why these new developing country powers have behaved so differently at the WTO, and second, why certain new developing country powers have not aggressively pursued their commercial interests at the WTO. I argue that both are a result of the nature of their integration into the global political economy and their consequent export interests. Specifically, the behaviour of these countries at the WTO – whether they choose to aggressively pursue their commercial interests and seek trade liberalization – is shaped by the risks of generating a backlash that could jeopardize their current trade.

States, Power and Interests at the WTO

One would expect that as developing countries such as Brazil, India and China become more powerful (Hurrell and Narlikar 2006; Warwick Commission 2008), they would assert themselves and seek to advance their own trade interests at the WTO by pushing for further liberalization of the international trading system to facilitate continued expansion of their exports. This is indeed the very foundation of the WTO system – that members should seek to improve their access to the markets of others (Hoekman and Mattoo 2007). Yet although they all have major export interests, the behavior of Brazil, India and China has differed significantly at the WTO. Brazil has become a key *demandeur* within the WTO: it has aggressively taken on the US and EU in pursuit of further agricultural trade liberalization and helped to make agriculture the central focus of the Doha Round. In the process, it has had a significant influence on the dynamics and agenda of the Doha negotiations. Brazil has effectively displaced the US as the key driver of liberalization at the WTO and become one of the most active and vocal supporters of the Doha Round. China's behavior, however, has differed markedly from that of Brazil. It has had little agenda-setting role in the Doha Round and not been nearly as aggressive as Brazil in pursuing its offensive interests in the negotiations. Instead, it has tried wherever possible to deflect attention and avoid any obvious projection of its power. Compared to both Brazil and China, India presents a middle case. On the one hand, India has been highly aggressive and played an important agenda-setting role in the agriculture negotiations, where it has been a formidable force in opposition to the traditional powers. However, on services, where India has its most significant export interests, it has been rather quiet and non-assertive by comparison. How then to explain the differences in their behaviour and why some new powers are not aggressively pursuing their trade interests at the WTO?

I argue that the degree of aggressiveness exhibited by a new developing country power is shaped by the risk of generating a backlash that could jeopardize its economic rise. Such a backlash could take the form of reducing its existing access to foreign markets or foreclosing the possibility of expanding that access in future. For each of these countries, their economies have been transformed by a dramatic expansion of exports. Their highly competitive export sectors – whether in agriculture, manufacturing, or services, respectively – are the most dynamic in their economies. Expanding exports is a central preoccupation for each country: their new economic strength has been built on exports and their future growth trajectories are dependent upon their continued expansion. The risk of a backlash that could disrupt a country's exports represents a significant threat, one that is shaped by the nature of its trade relations and their consequent export interests.

Although Brazil, India and China are indeed increasingly powerful in the global political economy, the rising powers are nonetheless constrained in how they can behave and what they can push for at the WTO. Their economic rise is precarious because based on exports and therefore vulnerable to external disruption. The appearance of aggression at the WTO creates a risk of backlash that could be extremely damaging. The developing country powers must therefore walk a careful line in order to avoid disrupting their paths to prosperity and power.

Comparing Brazil, India and China at the WTO

Brazil: The Aggressor

The case of Brazil was discussed in detail in the previous chapter. Driven by the rise of its agro-industrial sector, Brazil has adopted an aggressive position at the WTO, focused particularly on a reduction in developed country agriculture subsidies, which are believed to impede the growth of Brazil's exports. It has pursued this agenda through both WTO negotiations and dispute settlement. Brazil's aggressive position in the agriculture negations contrasts markedly with the hesitant stances assumed by China and India in the negotiations on manufactured goods and services, respectively, examined in greater detail below. I argue that it is the nature of Brazil's integration into the global economy – and specifically its export interests – that has enabled it to aggressively pursue its offensive trade interests at the WTO. Rather than being concentrated in the US and EU, Brazil's exports are spread fairly evenly across a large range of countries and regions. As a result, it has not developed the heavy dependence on the US and EU markets that characterizes India, for example. Brazil has long faced significant trade barriers in the US and EU for many of its key export products (such as orange juice and beef in the US and poultry in the EU). To get around these barriers, Brazilian agribusiness firms used a strategy of acquiring foreign competitors in these markets and moving production there (EIU 2010b). They also diversified their export markets, a process facilitated by the dramatic expansion of demand for agricultural products in rapidly growing parts of the developing world. Developed countries were once the main destinations for Brazilian agricultural products, but since 2004 most of its agricultural exports have been destined for developing countries and other non-traditional export destinations (Damico and Nassar 2007). Brazilian exports to the US in 2008 constituted less than 5 percent of its total agricultural exports.[200] The EU continues to be an important destination for Brazil's agricultural exports, but its share has been declining significantly as other markets grow in importance (ICONE 2006). China is now the largest market for Brazilian agribusiness products (EIU 2010b). Asia-Pacific, the Middle-East and North Africa, and Eastern Europe and the former USSR are currently the most dynamic export markets for Brazil agricultural products and demand in these regions is growing rapidly (ICONE 2006).

In the words of one Brazilian negotiator:

[200] UN Comtrade Data.

> Brazil is a truly global exporter, not tied to any particular region or market. More than half our exports are South-South trade and we expect markets in Asia and Africa to represent the future for Brazilian exporters. We think this trade has a lot of growth potential – many of these countries are already net food importers and have limited natural resources to produce their own agricultural products. The more these countries get richer – like China, India – the more they will need our exports, particularly meat.[201]

In developing countries, more and better food is one of the first demands from consumers as incomes rise. While the US and EU are mature markets with limited potential for growth, rapid income growth in the developing world is driving an explosion of demand for Brazil's agricultural products and Brazil's trade is now heavily oriented towards these countries.

Far from being dependent on the US and EU markets, Brazil now competes with the US and EU in such third country markets. Brazil is in direct competition with the US and EU for many of its key agricultural exports, including products such as soybeans, beef, poultry, pork, corn, cotton, and frozen concentrate orange juice (USDA 2009). This has both freed and encouraged Brazil to challenge the US and EU at the WTO and to seek a reduction in their agricultural subsidies. Brazilian producers believe that by liberalizing trade and reducing subsidies, Brazil could surpass the US as the world's leading agricultural exporter (Rohter 2005). According to one of Brazil's negotiators:

> Structural changes in the world trading system really can provide Brazil with great opportunities in the future. The WTO negotiations are important because we will probably be displacing the big guys in the global market. That's why we have been pushing so hard on the Doha Round and why we are the major developing country users of the dispute settlement system.[202]

[201] Interview in Geneva, March 2009.
[202] Interview in Geneva, March 2009.

Brazil has thus assumed an aggressive, offensive position at the WTO, challenging the traditional powers and demanding reforms of their agricultural policies.

At the start of the Doha Round, Brazil could have chosen to ally itself with developed countries like the US and EU in aggressively pushing developing countries to reduce their agricultural tariffs. However, Brazil expects demand for agricultural products in the developing world to continue to grow at such a rapid rate that it will be able to expand its exports even in the face of tariffs. It also sees the US and EU as key competitors in these increasingly important markets.[203] Brazil determined that its best strategy was to reduce the competitiveness of the US and EU in these markets by forcing them to cut their agricultural subsidies. But in order to effectively counter the traditional powers, Brazil recognized that it needed other developing country allies. It therefore willingly sacrificed its market access ambitions – its interest in having both developed and developing countries reduce their tariffs – in order to make alliances with other developing countries and gain the support it needed to challenge developed country agriculture subsidies. Brazil was not constrained by fear of a backlash from the main targets of its aggressive stance on subsidies – the US and EU – because it is not dependent on their markets, but instead sees them as its primary competitors in the developing country markets that represent the most important source of future growth. In addition, Brazil was willing to sacrifice its defensive interests in other areas of the negotiations – such as industrials – in order to secure these potential gains in agriculture.

[203] Interviews with Brazilian trade negotiators and industry representatives in Geneva, September 2008-June 2009, and Sao Paulo and Brasilia, May 2010.

The China Paradox

Just as Brazil has enjoyed rapid growth in its agricultural exports, China's manufacturing exports have also boomed in recent decades. China began its transition away from a centrally planned economy with a gradualist program of market-oriented reforms in 1978. A key aspect of its reform program was the creation of Special Economic Zones to attract foreign investment and process goods for export. China's exports expanded rapidly – initially concentrated in cheap manufactured goods (such as apparel and footwear), but steadily moving up the value-chain to more sophisticated and higher value-added manufactured products (such as electronics, machinery and equipment). Its exports were further accelerated after it became a member of the WTO in 2001, after a lengthy process of negotiating the terms of its accession. In the last three decades, China has quickly become the "workshop of the world," as the world's largest exporter of goods and second largest manufacturer (after the US, which many predict it will soon surpass).

China's manufacturing exports have provided the motor for its astonishing economic growth in the last three decades, at rates averaging close to 10 percent (Guo and N'Diaye 2009). They have transformed China from a poor and largely peasant-based agrarian economy into the world's second largest economy and an industrial powerhouse. In the process, China has also amassed the world's largest foreign exchange reserve, in excess of US$2.5 trillion, and become a major creditor to the rest of the world and especially the US. Fuelled by export-led growth, per capita incomes have tripled and poverty rates have declined from 85 percent to 27 percent, lifting over half a billion people out of poverty (World Bank 2009).

China's economic transformation and its success in reducing poverty are without historical precedent. Yet, poverty remains a significant problem in China; approximately 250 million people continue to live in extreme poverty, making it the country with the second largest concentration in the world (World Bank 2009). Poverty is particularly great in rural areas, fuelling massive rural to urban migration. Continued poverty and rising inequality have also raised the potential for social unrest. In order to continue to reduce poverty, as well as to face the dual challenge of absorbing an ever-growing mass of migrant workers from rural areas and urban unemployment stemming from the restructuring of state-owned enterprises, most estimates suggest that China must continue to grow at rates of at least 8 percent per year. Despite efforts to stimulate domestic demand, particularly in the wake of the global financial crisis, its economy remains heavily dependent on exports (Guo and N'Diaye 2009). China thus faces significant need to continue to expand its exports. This is further compounded by concerns that it may "grow old before it grows rich" (Goldman Sachs 2006) – that looming demographic changes (a rapidly aging population combined with the effects of the one-child policy) may impede its future growth prospects, putting additional pressure on China to ensure rapid growth in the near term.

However, China continues to face barriers to its manufacturing exports – in both developed and developing countries – that hamper their further growth. Its economic rise to date has been heavily dependent on exports to developed countries, particularly the US and EU, which alone each account for more than 23 percent of its exports.[204] Developed countries as a group receive two-thirds of China's exports. Yet in these markets China

[204] These figures refer to total goods exports, not solely those of manufactured goods, but over 95 percent of China's goods exports consist of manufactured goods. Data from UN Comtrade and IMF.

continues to face high tariffs (tariff peaks) for some of its key export products (such as textiles and clothing and footwear) and extensive non-tariff barriers. In addition, many of China's main competitors enjoy duty-free access to these markets through preferential trade arrangements targeted at least-developed countries (LDCs).[205] As the locus of global economic growth shifts to the global south, developing countries – particularly the most rapidly-growing large emerging economies – represent increasingly important markets for China. Yet most developing countries have high rates of tariff protection on manufactured goods, with an average tariff rate of 34 percent (Chang 2002). In addition, both developed and developing countries make extensive use of so-called "trade remedies" such as anti-dumping and safeguard measures to block Chinese exports; China is the most frequent target of such measures globally (World Trade Organization (WTO) 2009b).

One would expect that China would therefore be aggressive in seeking to use the WTO to reduce such barriers in both developed and developing countries and maximize its export potential. But this has not been the case. In contrast to Brazil, China has assumed a comparatively passive role and kept to the sidelines for most of the Doha Round. As described in Chapter 3, it has tried to maintain a low profile and avoid drawing attention to itself. Negotiators consistently report that China has not been an active force in the negotiations, describing it instead as "very quiet."[206] As one negotiator stated, "China is not out there as a *demandeur* seeking market access concessions." For example, in the negotiations on industrials, China could have pushed

[205] These include the EU's Everything But Arms (EBA) initiative and the US's African Growth and Opportunities Act (AGOA), Caribbean Basin (CBERA) and Andean Trade Preferences (ATPDEA) arrangements.
[206] Interviews with WTO negotiators and officials, September 2008-June 2009.

for a stiffer tariff-reduction formula with fewer flexibilities for developing countries, as well as additional sector-specific negotiations to reduce tariffs even more aggressively ("sectorals"). The industrial goods agreement being negotiated will allow developing countries to undertake a lower level of tariff cuts and provide them with significant additional flexibilities. Many of these flexibilities are expected to be used against products from China, yet China has not pushed against them. Nor has China pushed for sectorals, although as the world's most competitive exporter across several areas of manufacturing, many predict that it would be one of their largest beneficiaries. Instead, in the words of another negotiator, "they stay behind and do not take on a prominent position at the forefront."[207]

Although China has clear offensive interests in the round, it also has compelling reasons to be cautious and not come out looking too aggressive in the negotiations. Paradoxically, the very same factors that make it economically powerful also make it vulnerable in international economic forums, especially those related to trade. As a trading powerhouse in an organization designed to get countries to open their markets, "everyone is more or less frightened by China," as one WTO official stated.[208] Countries are gravely concerned about China's industrial capacity and the competitive threat that it poses. For many countries – both developed and developing – competition from China has already wiped out major parts of their manufacturing sectors and much of their resistance to further opening their markets comes from concerns about competition from China's exports. Developing countries, for example, have both lost market share to China in third country markets, such as the US, as well as in their own domestic markets.

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[207] Interview with WTO negotiator, May 2009.
[208] Interview with WTO Secretariat official, March 2009.

Examples abound: while Mexico's textile exports to the US boomed as a result of NAFTA, they have since fallen significantly as a result of displacement by cheaper Chinese exports. Similarly, nearly all of Brazil's shoe- and toy-making sectors have been wiped out by lower-cost products from China: "It's impossible to compete against China in these sectors," according to a Brazilian industry leader (The Economist 2008b). Under pressure from Chinese competition, Turkey lost 10 percent of the jobs in its textile sector in just two years (Bloomberg 2007). In 2009, India slapped a temporary ban on toy imports from China to protect its domestic industry, with its Trade Minister stating: "Look, we don't mind you exporting to India, but not to an extent that can kill my domestic industry." (Reuters 2009)

Given the competitive threat that it poses to many countries, China continually faces the danger that they will seek to constrain its exports. As noted in Chapter 4, for instance, when quotas for textiles and clothing – which had provided many countries with a degree of protection from Chinese competition – began to be phased out with implementation of the WTO Agreement on Textiles and Clothing (ATC), a broad-based coalition of industry groups from developed and developing countries launched a major campaign at the WTO seeking to extend the quota system. Likewise, a group of developing countries and LDCs, led by Turkey, pushed for a special work program in the Doha Round on textiles and clothing – to include a monitoring mechanism and the use of special safeguards to block Chinese exports – and later sought a carve-out that would separate textiles and clothing from the regular negotiations on industrial goods, remove it from the general tariff reduction formula, and slow liberalization in this sector. Although these specific initiatives did not move forward, the pressure they generated ultimately forced China to "voluntarily" restrict its textile and clothing exports to the US and EU. Situations such as these, in which other countries try – through the WTO or otherwise – to contain competition from Chinese exports, pose a significant threat to China.

In addition, China's large and rapidly growing economy makes it a major target for countries seeking access to its market. This is manifest, for example, in the fact that China faces efforts – particularly by the US – to treat it as a developed country in the Doha Round and therefore subject it to stricter liberalization commitments (compared to the more generous special and differential treatment afforded to developing countries). This is particularly problematic for China as it seeks to continue its economic growth by moving up the value-chain into producing and exporting more sophisticated goods. To undertake such industrial upgrading, it needs to be able to protect these sectors until they are sufficiently competitive.

China walks a delicate line at the WTO. Any sign of assertiveness or aggression on its part risks generating a backlash that could potentially restrict its access to the export markets it is so dependent upon. Rather than actively pursuing additional liberalization or market access, China has thus sought to appear as non-threatening as possible and fly below the radar at the WTO. In the words of one US negotiator: "China tries to be really quiet, because they know they are the target."[209] A developing country negotiator similarly summarized China's behavior as follows:

> China is not out there as a demandeur, aggressively seeking market access concessions. China is too wise for this. They are the largest exporter in lots of areas, even with existing market access barriers. If they ask for more, they are only going to get problems. That is precisely why they are not asking for more market access.[210]

[209] Interview with WTO negotiator, March 2009.
[210] Interview with WTO negotiator, April 2009.

A Secretariat official concurred: "China has made a simple calculation that it's not in their interests to get out in front, because then they would draw more critique. I am sure they think there is enough China-bashing already."[211] China does not want to provoke a reaction by aggressively demanding more access to other countries' markets.

The China paradox is that its economic power – its massive exports and large domestic market – renders it vulnerable at the WTO and imposes significant constraints on its behaviour, preventing it from aggressively pursuing its interests in trade liberalization. For China, standing out and taking an aggressive stance in pushing countries to further open their markets runs the risk of generating a powerful backlash, not only against China but potentially against the entire multilateral trading system and its goal of liberalizing trade. China cannot risk rocking the boat: as a result, it has taken a comparatively passive role, made little effort to set the agenda at the WTO, and been far less aggressive than Brazil. Instead, it has tried wherever possible to deflect attention and avoid any obvious projection of its power.

India: An Intermediate Case

Like both Brazil and China, India's economy was transformed by a program of economic reform. Following independence from British rule in 1947, India's economic policy was heavily shaped by its experience of colonialism. It focused on cultivating national economic development through state intervention, protection from imports, import substitution industrialization, and fostering of the domestic market. However, India experienced a serious deterioration of its external economic position during the 1980s, including worsening trade imbalances and rising external debt and debt servicing costs. The situation was brought to a head in 1990-91, when the Gulf War caused India's

[211] Interview with WTO Secretariat official, March 2009.

oil import bill to rise dramatically, exacerbating its trade deficit and prompting a withdrawal of investment and credit. This created an acute balance-of-payments crisis: India's foreign exchange reserves were reduced to such a extent that it was on the verge of being unable to finance its imports and the government was close to default. India was forced to airlift its gold reserves to London as collateral for an IMF loan. With its echoes of the colonial era, this produced a national outcry, which caused the government to fall and led India to chart a course of neoliberal economic reform still ongoing two decades later. India's economic reforms have included opening the country to international trade and investment, deregulation, privatization, tax reform and inflation-controlling measures.

In the last decade, India has emerged as one of the fastest growing economies in the world, with rates of nearly 10 percent growth in recent years, second only to China. India's impressive economic performance has been driven primarily by the rapid growth of its services sector and exports (Downes 2009; World Bank 2004). In the last two decades, India's exports of services displayed one of the fastest rates of growth in the world, growing at rates as high as 35 percent per year (World Trade Organization (WTO) 2009a). The areas of information technology (IT), IT-enabled services (ITES) and business process outsourcing (BPO) have grown particularly rapidly, with ITES-BPO expanding at an average annual rate of around 50 percent since 1993 (EIU 2008). India has been among the chief beneficiaries from developments in information technology that have enabled companies in the developed world to "outsource" many aspects of their operations to lower-cost producers (including software development, call centers, payroll and accounting services, radiology and medical transcription, financial industry research and analysis, legal research and writing, and product research and development). India has captured the majority of the world market for outsourcing of IT-BPO services, due to its advantages such as low costs (approximately 70 percent less than source locations), a large supply of highly-skilled, educated, English-speaking workers, and strong scientific and technical capacity (NASSCOM 2010). Its most competitive producers are also quickly moving up the value-chain to more sophisticated and higher value-added services (Hoekman and Mattoo 2007).

While India has some of the poorest human development indicators in the world, with the majority of its population dependent on subsistence agriculture and extremely high rates of poverty (Jha 2006), its “services revolution” (World Bank 2004) has seen the emergence of a cutting-edge and globally competitive knowledge-driven services export sector. Services now constitute over 35 percent of India’s total exports (World Trade Organization (WTO) 2010), with 26 percent alone coming from the IT-BPO sector (NASSCOM 2010). The IT-BPO sector is the best-performing in the Indian economy; its contribution to national GDP has grown from 1.2 percent in 1998 to 6.1 percent in 2010 (NASSCOM 2010). Relative to other large emerging economies, India is not a major trader: it supplies only a small fraction of world merchandise exports (just over 1 percent) and has a significant deficit in trade in goods (World Trade Organization (WTO) 2010).[212] As a result, India’s services exports – which have grown far more rapidly than its merchandise exports (Chanda and Sasidaran 2007) – are especially important for its balance of payments. The industry sees opportunity for significant future expansion (NASSCOM 2010) and services exports are expected to continue to grow rapidly (at

[212] By comparison, China’s goods exports, for example, are more than ten times larger.

approximately 20 percent per year) and be a key source of dynamism in the Indian economy (EIU 2010a).

India's development aspirations depend to a considerable extent on its ability to sustain the rapid growth of its services sector, which depends in turn on its ability to secure improved access to foreign markets (Chanda and Sasidaran 2007; Jha, Nedumpara, Das, Karthikeyan, and Thakur 2006; World Bank 2004). Services is thus the key area of offensive interest for India in the Doha Round negotiations. Two aspects of the services negotiations are of particular importance to India: Mode 1, the cross-border supply of services from the territory of one state to another (i.e., outsourcing) and Mode 4, the temporary movement of persons across borders to supply services (ie., workers entering a country temporarily to carry out particular jobs and provide labor inputs).[213] Significant barriers to India's services trade still remain in these areas, particularly in Mode 4 (Jha et al. 2006). Mode 4 – labor mobility – is the area where the trading system has seen least liberalization; it is viewed as a potentially huge area of gain for developing countries, dwarfing the goods aspects of WTO negotiations (Winters, Walmsley, Wang, and Grynberg 2003). Mode 4 (e.g., an Indian software firm sending employees to the US to work on-site for its clients) is particularly important for India because 30 percent of the work of its outsourcing firms takes place on-site (while only 70 percent takes place in India).[214] In Mode 1, India has a significant interest in securing access to foreign markets to counter current and future protectionism, in the form of outright bans and conditions imposed on outsourcing contracts by developed countries. The industry has identified the prospect of a rise in protectionism in its major markets as one of the greatest potential

[213] At the WTO, services trade is categorized into four types or "modes" of supply. The others are Mode 2, consumption abroad, and Mode 3, commercial presence.
[214] Interview with Indian services industry representative, New Delhi, March 2010.

threats to its future health and expansion (NASSCOM 2010). Through the Doha Round services negotiations, India could lock-in existing access to foreign markets with legally binding commitments at the WTO to pre-empt potential protectionism, as well as seek to expand that access.

Given India's keen commercial interests in services trade, we would expect it to be pro-active in seeking services liberalization, particularly in Modes 1 and 4, at the WTO. Yet, while India has been seeking gains in the services negotiations, it has not been doing so aggressively. As one former Indian trade negotiator stated, summarizing the sentiments expressed by other trade officials and industry representatives interviewed: "India has not been so vocal or aggressive in pushing for services liberalization at the WTO."[215] A trade advisor to the Indian government echoed this assessment, stating: "There is definitely a feeling that we haven't been pushing as hard as we could be in services."[216] Both Indian negotiators and industry acknowledge that there has been little progress in the services negotiations: industry does not expect major gains in the negotiations, with representatives stating that "services have been a no-go," and even its own negotiators indicate that "India is not getting anything from the US or the EU."[217] According to one industry representative, "If it happens, liberalization in services will be driven more by the needs of developed countries and their companies pushing, rather than by developing countries like India."[218] India seems resigned to moderate expectations in the services negotiations, and rather than seeking to aggressively pursue its offensive

[215] Interview in New Delhi, March 2010.
[216] Interview in New Delhi, March 2010.
[217] Interviews in New Delhi, March 2010.
[218] Interview in New Delhi, March 2010.

interests in this area, its strategy in the Doha Round has been primarily defensive, with much of its attention focused on agriculture and industrial goods.

Yet India is clearly not afraid to stand up and challenge the traditional powers in other areas. India has, for example, played a central role in the agriculture negotiations, as a leader of developing countries and a major figure in coalitions such as the G20. Its motives, however, differ significantly from those of Brazil. India has a large population of peasant farmers, who are vulnerable to trade liberalization and carry considerable weight in domestic politics; its interests in agriculture are therefore primarily defensive (that is, seeking rules that would allow developing countries to protect their domestic markets from imports). For India, the G20 provided a means to go on the offensive against the developed countries by targeting their agricultural subsidies, consequently revealing the hypocrisy of the US and EU and delegitimizing their position in the Doha negotiations. This helped to significantly strengthen India's negotiating position and its ability to protect its defensive interests, by providing cover and enabling it to push back against the demands of the US and EU. India has also been a driving force behind the G33, a coalition of developing countries with defensive concerns in agriculture. Despite substantial opposition from the US, EU and others, India has been vociferous in demanding – and successfully securing – commitments for special safeguards and flexibilities for developing countries in agriculture (the "special safeguard mechanism" and a "special products" exemption from tariff reduction commitments). Even prior to the Doha Round, India had a history of being one of the most pugnacious countries in the negotiations and routinely the last holdout against US demands.

However, India has been aggressive only in seeking to protect its defensive interests but not in pursuit of its offensive interests. Compared to its vocal and attention-grabbing opposition to the US and EU on agriculture, India has been remarkably quiescent in services, despite its significant economic interests in this area. One possible explanation is that India cannot be aggressive in services because it is so defensive in agriculture. However, Indian trade officials deny that they are sacrificing ambition in services for defensiveness in agriculture.[219] Having engaged in significant unilateral liberalization – in services, agriculture, and industrials – India's current trade policy in a number of sectors is significantly more liberal than the access commitments it made under the Uruguay Round. In other words it has considerable amount of "water" in its tariffs – its bound rates are far higher than those it is actually applying – in both agriculture and NAMA; as a result, it could take large reductions in its bound rates in the Doha Round without actually having to cut its applied tariffs. As one of its negotiators stated, "we have enough water, we'll be OK." Many experts believe that, given the significant water in its tariffs, India could afford to take a far more aggressive position in the services negotiations, without having to make major sacrifices in other areas, such as agriculture (World Bank 2004).[220] Moreover, if India was trading off an offensive position in services in order to enable it to better defend its sensitivities in agriculture, one would expect the services industry to be profoundly dissatisfied at having its interests sacrificed. However, India's services exporters express satisfaction with the work of negotiators and – unlike Brazil's agro-industrial sector, for example – have not pushed the Indian government to be more aggressive on their behalf. As one industry

[219] Interviews in New Delhi, March 2010.
[220] This view was also expressed by many negotiators in Geneva as well as officials and experts in New Delhi.

representative stated, "Indian industry is not expressing frustration that the government is not pushing harder on services."[221] On the contrary, the services sector believes the government is working appropriately in support of their interests, as reflected in the comments of two other industry representatives: "Whatever inputs we have given to the government, they have taken them. There's no problem there." and "Their negotiating position more or less reflects our own position."[222]

How then to explain India's reluctance to assert itself in the services negotiations? India is heavily dependent on developed country markets, and particularly the US, for the bulk of its services exports. The US is the largest market for India's IT-BPO services, for example, accounting for 60-70 percent of its exports (NASSCOM 2010). Yet services exports are a highly politicized issue in the US and other developed countries, where there is considerable popular concern over outsourcing and its impact on domestic unemployment. The movement of people across borders to supply services, Mode 4, is perhaps even more contentious; it generates substantial political resistance in many high-income countries because of its associated with migration (Hoekman and Mattoo 2007). The dramatic expansion of Indian exports and perceived exodus of white-collar jobs in countries like the US is beginning to provoke protectionist sentiments and measures. As one Indian services industry representative stated,

> We are very concerned about rising protectionist sentiment in the US. Our industry is the favoured whipping boy for unemployment in the US. That is our biggest challenge. We are very concerned that some shotgun legislation could go through at any point. And we think we are seeing indirect protectionism even now, with visas being denied, raids on outsourcing places, etc.[223]

[221] Interview in New Delhi, March 2010.
[222] Interviews in New Delhi, March 2010.
[223] Interview in New Delhi, March 2010.

Although India would ideally like to obtain rules at the WTO to secure and expand its access to the US and other markets, being seen to pursue such a change risks generating a backlash that could jeopardize its current trade. In the words of one services trade expert and advisor to the Indian government,

> The services trade issues like Mode 4 are very sensitive. The more they lobby and come into the limelight, the worse things will be for them. They are very sensitive, the areas where we have our export interests. The more you lobby, the more problems you create for yourself.[224]

For example, even when the US recently introduced discriminatory new rules doubling the visa costs for Indian outsourcing firms bringing workers to the US (expected to add $200 million per year to their annual costs), Indian industry acquiesced with only muted protest, expressing that it was "sad and disheartened" by the change, but quickly dismissing any suggestion that it would take retaliatory action (Financial Times 2010; Washington Post 2010). India has therefore held off, like China, from aggressively pushing for more market access and trade liberalization in its key area of interest at the WTO. Instead, the Indian services industry has preferred to do its lobbying quietly and behind the scenes, such as through private meetings with US legislators on Capitol Hill.[225] In multilateral negotiations at the WTO, India has been enterprising and assertive in seeking to protect its defensive interests but not in pursuit of its offensive interests.

Conclusion

Despite tendencies to lump the new developing country powers together, they have in fact behaved very differently at the WTO. Brazil has been aggressive in pursuing its offensive trade interests in agriculture, waging a major campaign against developed

[224] Interview in New Delhi, March 2010.
[225] Interview with Indian services industry representative, New Delhi, March 2010.

country agricultural subsidies that has made it one of the most influential actors in the Doha Round. China, on the other hand, rather than pushing developed and developing countries to further open their markets to its manufacturing exports, has instead kept a low-profile and had a far more marginal role in the negotiations than its economic importance would suggest. India has walked a middle ground between these two extremes: while it has been strident in defending its defensive interests in agriculture, it has held back from an equally forceful assertion of its interests in the services negotiations, where its key export interests lie. It is the risk of a backlash that could jeopardize its current and future trade that has prevented India and China from aggressively pursuing trade liberalization at the WTO. This is a reflection of the delicate dance of the rising powers, whose economic rise is based on exports to foreign markets. As a result of this dependence, they need to be careful not to make a misstep that could endanger their exports and future growth, leading to a cautious stance in global trade governance.

CHAPTER 7

Conclusion: Multipolarity, Multilateral Disintegration and the Stillbirth of Neoliberalism at the WTO

As the preceding chapters have shown, there has been a significant power shift at the WTO: the longstanding dominance of the US and other advanced-industrialized states and marginalization of developing countries, which characterized the multilateral trading system for over half a century, has been brought to an end. Backed by large developing country alliances, Brazil, India and China have joined the inner circle of power and become central players. They are exercising considerable influence in WTO negotiations and dispute settlement. Alliances have played an important role in their new position at the WTO: Brazil, India and China have allied together, and secured the backing of the developing world more broadly, in order to effectively counter the traditional dominance of the US and EU. The new structure of power is characterized by a balance-of-power situation in which the old powers – the US and EU – are faced off against the new powers – Brazil, India and China. This chapter assesses the impact of these power shifts on multilateralism and the neoliberal project of the WTO.

Impact of Power Shifts: Multilateral Disintegration

The WTO has seen emergence of multipolarity: the rise of new developing country powers to counter-balance the traditional dominance of the US and other countries of the Global North. I argue here that the consequence of this power shift has been profound. The rise of new powers has significantly disrupted the workings of the

WTO and rendered agreement among states considerably more difficult, if not impossible. At the WTO, power shifts have produced *multilateral disintegration* – an inability to reach multilateral agreement and conclude the Doha Round. However, paradoxically, this is not because the new powers have challenged the WTO's neoliberal agenda, but embraced it.

The new powers are not fundamentally trying to reshape the neoliberal agenda of the WTO; on the contrary, they have pursued an agenda at the WTO that accords with its liberal norms and principles. For instance, the most prominent issue advanced by the new powers – led by Brazil – has been a reduction in developed country agriculture subsidies. Similarly, India has sought liberalization in services and China in manufactured goods, albeit far less aggressively than Brazil. In addition, Brazil, India and China have become major users of the dispute settlement system to challenge and discipline developed country trade policies, initiating a total of 39 cases against the US and EU. China in particular has also pushed strongly in the Doha Round for heightened disciplines to limit the ability of the US to use trade remedies (such as countervailing and anti-dumping duties) to restrict imports. As a Chinese negotiator stated:

> The process of the dispute settlement system has several benefits for China. First, it strengthens the notion of international obligations. When other government departments make policies, they may not have done so with an eye to WTO rules, but now are doing so increasingly very much. Second, it can take disputes off the newspaper headlines and, by putting into dispute settlement litigation, can get US officials to calm down politicians and get them to give second thought to their course of actions. So it requires justification and procedures of decision-making.[226]

[226] Interview with Chinese negotiator at conference, February 2011.

Over one-third of anti-dumping cases taken worldwide have been against China since 2008,[227] and the WTO provides an important means for China to challenge such measures when they are imposed in violation of multilateral trade rules. China is also now paying a large part of the WTO budget (its contribution is the third largest after the US and Europe).[228] China, India and Brazil are interested in the overall maintenance of the multilateral trading system and want the protection of the WTO against potential trade barriers being raised against its exports. The new powers are also using the system to varying degrees to expand markets for their exports.

Brazil, if anything, has become more of an advocate for the system than the old powers: it has been the most active and vocal advocate of the Doha Round. As described in Chapter 5, driven by the rise of its export-oriented agribusiness sector, Brazil has a keen interest in reducing trade barriers to improve its access to foreign markets and in reducing rich country subsidies to enhance the competitiveness of its own exports. Its pursuit of the liberalization of global agricultural markets has only been moderated by the need to maintain the support of its developing country allies, leading it to sacrifice some of its objectives for improving market access (in both developed and developing country markets), in order to be more effective in its aggressive pursuit of subsidy reduction in the US and EU. In pursuing agricultural liberalization, it has shown a willingness to sacrifice in opening its own market to manufactured goods. Brazil is carrying the mantle of neoliberalism at the WTO and has emerged as a new force driving its trade liberalization agenda.

[227] Interview with US negotiator at conference, February 2011.
[228] Source: "Members' contributions to the WTO budget and the budget of the Appellate Body for the year 2011." http://www.wto.org/english/thewto_e/secre_e/contrib11_e.htm.

While China and India have not been as aggressive as Brazil in pursuing liberalization in their own areas of export interest – manufactured goods and services, respectively – this is a function of external constraints, not a lack of appetite. Although the new powers have gained and exercise considerable influence at the WTO, that does not mean they are unconstrained. No country has ever had complete free reign or the ability to force the WTO to operate exactly as it liked. Even US power at the height of its hegemony was constrained: it had to grapple with opposition from other states, compromise (even if such compromises tended to be tilted in its favor), and never fully got what it wanted. As indicated in Chapter 6, China and India are constrained by the risk of backlash if they are seen to be too aggressive in pursuing expanded markets for their exports. As a result, China, for example, has sacrificed some of its own interest in pushing for greater market access for its exports of manufactured goods in order to ensure the continued functioning of the system as a whole. It has kept a low profile at the WTO in part to *avoid* provoking a systemic challenge to the regime of increasingly open markets and liberalized trade. In doing so, it has sought to ensure the continuation of stable rules for international trade and that its existing access to foreign markets is not cut off. Likewise, India has similarly held back from aggressively pushing for liberalization in services, despite its interests in this area.

Some might argue that the defensive maneuvers of India and China to protect their vulnerable agricultural sectors – their push for a special safeguard mechanism (SSM) and special products exemptions (SPs) – represent a challenge to the neoliberal paradigm of the WTO. These measures have been advanced in the name of food security, livelihood security, and rural development. The SSM, in particular, has been portrayed by the US and other developed country negotiators as a threat to the principles of the WTO and its project of progressive trade liberalization. The SSM would allow developing countries to raise tariffs in response to an import surge; a key point of contention in the debate over the SSM is whether countries should be allowed to breach their Uruguay Round commitments (ie., to raise tariffs above the maximum level at which they capped them the last round), which is sought by India, China and the other members of the G33. Opponents argue that this would provide a way for countries to effectively undo the commitments they made in the Uruguay Round, thus undoing liberalization they have already undertaken. In their view, this would represent a move backwards, away from the progress of trade liberalization. US Trade Representative Susan Schwab, for example, claimed that if India and China had got their way on the SSM, the result would have "rolled the global trading system back."(quoted in The Guardian 2008b)

However, despite the rhetoric of US trade officials, India and China's efforts to secure the SSM and SPs do not represent a systemic challenge to the multilateral trading system or a break with the fundamental principles of the WTO. The multilateral trading system has always operated by providing for some exceptions to liberalization, seen as necessary to smooth impediments and allow the larger program of liberalization to occur. These measures are in keeping with the WTO's pre-existing tool kit; they do not represent a radical change or the emergence of an alternative policy program. SPs are no different than other exemptions – such as the "sensitive products" (SEs) exemption granted to both developed and developing countries – that have been used to shield certain products from tariff cuts in order to facilitate the broader process of liberalization.

Likewise, the SSM resembles the "special safeguard provision" (SSG) granted to developed countries in the Uruguay Round for the same purpose. If effective, the SSM would at best help to protect the existing incomes of peasant farmers in the face of an import surge – it would thus maintain the status quo but it would do nothing to alter present circumstances or improve their incomes in any way. The SSM and SPs merely represent exemptions which would facilitate rather than challenge the WTO's program of liberalization. The measures advanced by India and China would not fundamentally deviate from or alter the existing trading system, nor are they intended to.

As described in Chapter 2, the GATT/WTO has always operated as strange blend of liberalism and mercantilism. India and China are simply behaving as the traditional powers always have – seeking to protect vulnerable parts of their own markets, while pressing other countries to open theirs. As Krasner (1985: 67) wrote decades ago regarding the traditional powers, "Trade barriers have been regarded as unfortunate concessions to interest-group pressure. They do not indicate that the North has abandoned its commitment to liberal rules of the game." Just as the US and Europe have long sought to protect their powerful farm lobby groups, so too are India and China now seeking to protect their large populations of vulnerable – and politically influential (in the case of India) or potentially volatile and politically destabilizing (in the case of China) – peasant farmers.

Brazil, India and China employ rhetoric strongly reminiscent of the era of Third Worldism. Their discourse repeatedly frames the Doha negotiations as a struggle between rich and poor countries, with the latter seeking to protect the livelihoods of their vulnerable populations and pursue development. India, for example, has claimed at the

WTO to speak for developing countries in the "tradition" of Nehru and Gandhi (Hurrell and Narlikar 2006). One of its negotiators asserted that it had been "a crusader for developing countries."[229] India's Trade Minister, Kamal Nath, spoke of India defending the position of "100 developing countries, representing a billion subsistence farmers" against "the commercial interests of the developed countries."(The Guardian 2008a) A Brazilian official expressed their objective as follows: "What we want is progress…. I am not worried about American interests. I am concerned with international trade interests, with Brazilian farmers, with African farmers, with developing-country farmers." (cited in Milligan 2004) China – through its official news agency, Xinhua – lambasted the "selfishness and short-sighted behavior" of the rich countries in the Doha negotiations(The Guardian 2008a). However, the agendas they are actually pursuing at the WTO fit solidly within – rather than challenge – its liberal trade paradigm.

As their booming exports attest, these countries have been among the primary beneficiaries from liberalization of the global economy. Brazil, for example, acknowledged this directly in an official statement at the WTO, affirming "Brazil is one of the major beneficiaries of so-called globalization."(WTO 1999) In Brazil, the dramatic expansion of agribusiness exports have fueled rapid economic growth. For China, exports have fueled one of history's most rapid and remarkable economic transformations, propelling China to its current position as the world's largest manufacturing exporter and second largest economy. India's economic performance over the last decade has been second only to China, as it has become one of the world's leading exporters of services and captured the majority of the world market for IT-enabled services and business process outsourcing. These three countries have been

[229] Interview, New Delhi, 2010.

amongst the major beneficiaries from the neoliberal turn in the global political economy and the free trade policies adopted by many countries in recent decades, which have opened markets for their exports and thus fuelled their economic expansion.

Driven by exports, their economic rise has occurred within – and been made possible by – the existing system of open markets and trade. The new powers have expressed no interest in changing the very system that has been the source of their newfound wealth and prosperity. On the contrary, they have defined their interests as lying in perpetuating more of the same system and further extending trade liberalization in their areas of competitive advantage. Yet, this construction of their interests should not be taken for granted. The language of WTO negotiations (and much of the accompanying international relations literature) speaks of "Brazil", "India" or "China," as though they were monolithic actors with fixed and objectively determined interests. However, in reality states are not unitary entities, but comprised of multiple actors with diverse (and often competing) interests and ideologies. The construction of their interests – which shapes their behavior and impact at the WTO – is not pre-given or inevitable, but the product of political contestation within each country. Their negotiating positions at the WTO emerge as the result of domestic struggles between competing social, political and economic forces. They are further shaped by the interaction of the domestic and international (Putnam 1988).

As the earlier chapter on Brazil, for example, has shown, the force that has been victorious in domestic battles over economic and trade policy and most influential in shaping the country's stance at the WTO – its agribusiness sector – is one that eagerly supports the liberalization of global markets. Agribusiness has won out over peasant farmers concerned about being displaced from their land, or factory workers losing their jobs in manufacturing sectors decimated by foreign competition, or environmental NGOs concerned about deforestation of the Amazon resulting from the expansion of agribusiness exports. Brazil's redistributive social welfare policies have bought consent, or at least muffled discontent, over its export-oriented economic model. In India, dominant economic forces – such as the services export sector – have enjoyed similar influence over economic and trade policy. In addition, the economic crisis of the 1980s – crystallized in the national imagination with the image of an India on the brink of disaster, forced to ship gold to its former colonial oppressor, an image so powerful that it brought down a government – proved so traumatic that it helped to build and maintain contemporary loyalty to the neoliberal program of steady economic reforms and liberalization (Luce 2007). Brazil's experience of hyper-inflation in the 1980s left a similar imprint. In all three countries, there is a strong sense that there is no alternative to liberalization (which is often linked to a discourse of progress and modernization) – among not only policy and business elites, but even many civil society actors and NGOs as well. At best, the latter are hoping to mute its harshest elements. Although China does not face democratic contestation over its economic and trade policies like Brazil and India, it nonetheless is highly preoccupied by the need to maintain its engine of growth and keep a damper on any potential for social unrest.

Rather than rejecting the rules, norms and principles of liberal trading system, the new developing country powers have embraced them, seeking to work within the rules and use them to their advantage. What the new powers have sought to challenge is their subordination to the traditional powers, and specifically the dominance of the US. As a representative of Indian business stated, "The sentiment in India is not anti-WTO, but anti-WTO that is one-sided."[230] Their objection is to a WTO that is unfairly biased in favour of the interests of the US and other advanced-industrialized states. In effect, the new powers have turned the WTO system against its originators, revealing the hypocrisy of the US and its industrialized allies and demanding that they undertake further market liberalization. The tables have turned and there has been a dramatic shift in roles. The US had been main proponent of liberalization throughout the GATT and Uruguay Round. Now, for the first time, the US has been isolated and put on the defensive and its own protectionist policies have emerged as a central target of the round. It is no longer the US but Brazil, leading the developing countries, who has become the key proponent and driver of further trade liberalization at the WTO. As discussed in Chapter 2, the US has been backed into a corner: the emergence of new powers to counterbalance its dominance has shifted the terms of a prospective WTO agreement and the US is now presented with the prospect of a Doha Round agreement that it finds profoundly dissatisfactory. The US and other Northern states can no longer impose an unbalanced deal upon developing countries – quite the reverse, the US government and its business groups are now faced with a proposed Doha agreement they view as unfair and unbalanced against their own interests. The US believes that it would be required to significantly cut its tariffs on industrial and agricultural goods and agricultural subsidies, while gaining little new access to foreign markets for its exports. It has tried to press the large emerging economies to undertake additional commitments (including sectorals and informal agreements not to use their exemptions against certain US products), but these countries now have the power to resist such demands from the US. The US and other

[230] Interview, New Delhi, March 2010.

Northern states can no longer impose and extract what they want at will from the developing world. Among the Northern countries, the US in particular is having trouble adjusting to this new world. It is not used to engaging in more equitable bargaining. In the past, US negotiators have been able to come home from trade negotiations and tell Congress and its business lobby groups that it "winning" more than it was "losing."

The current dynamic – of developing countries going on the offensive against the advanced-industrialized states at WTO and aggressively pushing them to open their markets and reduce trade barriers – is new. It represents a major break with the agendas and strategies of developing countries in the past. Historically, the position of developing countries (and their coalitions) in the multilateral trading system has been defensive, seeking to resist the efforts of other countries to gain greater access to their markets. Their trade policies have been inward-looking, primarily focused on protecting their domestic markets from import competition and other external forces. Developing countries were not focused on pursuing potential export interests at the GATT/WTO. Previously, developing countries went outside the GATT system and created an alternative forum – UNCTAD – where they sought to advance their interests. Their goal was a sweeping overhaul of the entire global economic system, and their efforts to construct a New International Economic Order was premised on a fundamental rejection of the existing principles of the liberal economic order. They advanced a radical agenda, including redistribution from North to South; increasing the power of states vis-à-vis transnational corporations; commodity agreements and producer associations; and a system of trade preferences, technology transfer and aid to foster industrialization in the Global South. Their transformative program was based on major state intervention in the market – at both the national and global levels. The current activism of Brazil, India and China, and developing countries more broadly, at the WTO looks nothing like this previous activism of developing countries. Now, these developing countries are pushing for change *within* the GATT/WTO system, and their demands – subsidy reduction, increased market access – fit well with its neoliberal vision.

Although the new powers have challenged the traditional workings of the WTO, their opposition has been to the dominance of the US and other advanced-industrialized countries, not the fundamental norms and principles of the institution or the neoliberal ideology that animates it. Theirs is a power challenge, not an ideological one. Yet the consequence of their challenge at the WTO has been a clash between the old and new powers – with each side demanding additional liberalization from the other but refusing to yield itself. The essential divide can be characterized as follows:

> The developing countries want America to offer deeper cuts in farm subsidies and the European Union to open its agricultural markets further… Meanwhile, the Americans and the Europeans would like India and Brazil to cut their tariffs on industrial goods.(The Economist 2007)

This clash between the US and EU, on the one hand, and Brazil, China, and India, on the other, has been the defining feature of the Doha Round and it has resulted in the repeated breakdown of the Doha negotiations.

The collapse of the Cancun Ministerial 2003 – which centered on conflict between the developed and developing countries over the Singapore Issues and agriculture – was only the beginning of a series of highly publicized and acrimonious failures that have beset the round. Following another collapse of talks in July 2006, the WTO Director-General Pascal Lamy declared the round "suspended," and it remained so for most of the latter half of that year. The renewed talks broke down again at the June

2007 negotiations between the US, EU, Brazil and India in Potsdam, Germany, over agriculture subsidies and market access in the North and industrial tariffs in the South. Negotiations failed yet again at the July 2008 Mini-Ministerial in Geneva, ostensibly due to conflict among India, China and the US over the SSM, although the same broader issues were really at play. The Doha Round thus repeatedly has broken down in a North-South confrontation centered on the traditional and emerging powers. As one journalist wrote in the *Financial Times* (2008), “Following its repeated collapses is no longer simply like watching Groundhog Day: it now resembles being forced to watch Groundhog Day over and over again.” There has been no substantive movement in the negotiations since the July 2008 Ministerial. While world leaders continue to publicly profess their commitment to concluding the round, many believe it is now dead.

As WTO Director-General Lamy has acknowledged, the core issue in the Doha Round impasse is “the balance in contributions and responsibilities between emerging and advanced economies.”(WTO 2011a) As discussed in Chapter 2, the deal that has taken shape is one that the US – particularly key figures in US Congress and its business and farm lobby groups – finds unsatisfactory.[231] The US maintains that it would be required to significantly cut its tariffs on industrial and agricultural goods and agricultural subsidies, while gaining little new access to foreign markets for its exports. The US contends that the prospective agreement does not demand enough of the large emerging economies, who benefit from the special and differential treatment (SDT) granted to developing countries that provides for weaker tariff-reduction formulas and extensive flexibilities. As stated in the President’s 2011 Trade Agenda,

[231] In contrast, many developing countries appear satisfied with the prospective agreement on the table, even India. To quote an Indian official, for example: “There is already enough on the table for developing countries and LDCs. Our concerns have been taken care of.” (Interview, New Delhi, March 2010)

> In a negotiation in which the United States is being asked to significantly cut tariffs on all industrial and agricultural goods, we are asking these emerging economies to accept responsibility commensurate with their expanded roles in the global economy… For these talks to remain relevant, they must address the world as it is and as it will be in the coming decades. Our requests of key emerging economies will continue to be based on the reasonable proposition that countries with rapidly expanding degrees of global competitiveness and exporting success should be prepared to contribute meaningfully towards trade liberalization.(US 2011)

The US has sought to "raise the level of ambition in the round" by forcing countries such as Brazil, India and China to undertake greater liberalization commitments. Its efforts have centered on pressing these countries to participate in "sectorals" – proposed initiatives under which participating countries would deeply cut tariffs (to zero or close to zero) on entire industrial sectors – in key areas of manufacturing interest to the US, such as chemicals, information technology and industrial machinery. Sectorals are effectively an add-on to the core agreement that have been pushed primarily by the US and other developed countries in order to enable them to extract additional gains from Brazil, India and China in the Doha Round. In addition, it has also pressed the large emerging economies to commit not to use their special products exemptions in agriculture – which would shield the designated products from full tariff cuts – against specific products of interest to the US, in order to ensure that the US made market access gains in these areas.[232] Its efforts have been thwarted, however, as the new powers have refused to cave to US demands. The result has been an impasse between the old and new powers:

> The principal impasse in the negotiations remains a deep disagreement between the US and large developing countries like China, India and Brazil on what a Doha Round agreement should look like. Washington argues that fast-growing developing countries must offer greater market-opening for manufactured goods as well as farm products and services -

[232] This was a core issue behind-the-scenes at the 2008 Ministerial, for example, when the US tried to get China to commit not to put cotton, wheat and corn on its list of special products.

> demands that China, India, and Brazil have generally rebuffed as disproportionate to the reforms the US is willing to undertake, particularly on farm subsidies.(Bridges 2011)

At the heart of this conflict is a distributional struggle over where the costs and benefits of the round should fall. With the two sides in this struggle evenly matched – such that neither side has been able to over-power the other and impose its preferences – the outcome has been a stalemate. The old and new powers have been unable to reach agreement, leaving the future of the Doha Round in serious doubt. The emergence of competing powers to counter-balance the traditional dominance of the US has thus resulted in multilateral breakdown.

We have once again what Mortimer (Mortimer 1984: 141) described in the context of the NIEO as a "politics of stalemate" – the inability to move forward an international agenda due to North-South conflict – but now for very different reasons. Reflecting on the failed efforts of developing countries to bring about a New International Economic Order, Mortimer (1984: 66) wrote: "Power to bring negotiations to a stalemate, or even the power to shape the agenda, is no equivalent to the power to effect structural change in the international system." Yet, the leading developing countries of today do not want to effect structural change in the international system. They are supporters of the existing global economic order – which has provided markets for their exports and the fuel for their economic expansion – and seeking largely to advance their interests within the liberal trade paradigm of the WTO. However, in turning the tools of the multilateral trading system against the traditional Northern powers, the result has been stalemate.

Multilateralism – the ability of states to cooperate to construct international laws, rules and institutions – has disintegrated at the WTO. In these new circumstances, in which power is balanced between the new and old powers, these states have proven unable to work in concert to conclude the Doha Round. Multilateral disintegration does not necessarily mean the collapse of the global economy; to date, we have not seen signs that the entire liberal economic order is collapsing, that international trade is contracting, or that there has been a dramatic rise of protectionism or mercantilism.[233] What it does mean is an inability to reach agreement multilaterally to build new rules and extend the existing institutional architecture to further the WTO's project of trade liberalization. It does not necessarily mean that existing institutions are being dismantled, but that the ability to expand those institutions or construct new ones has been brought to a halt. As political and economic sociologists have shown, globalization is an institution-building project. Power shifts have disrupted the construction and expansion of institutions at the multilateral level to further the process of global economic integration. International cooperation in pursuit of the WTO's stated agenda has failed.

The Stillbirth of Neoliberalism at the WTO

The disintegration of multilateralism at the WTO has had profound consequences for its neoliberal agenda. As discussed in Chapter 2, the creation of the WTO was intended as only the first step in its project of liberalizing trade, opening markets, and restructuring the global economy along neoliberal lines. The multilateral trading system has always worked through successive rounds of negotiations to progressively liberalize trade. The Uruguay Round that created the WTO lay the foundation for further

[233] World trade did contract as a result of the 2008 financial crisis and its aftermath, but has since rebounded to its pre-crisis level (WTO 2011c), and this occurrence was not caused by multilateral disintegration.

liberalization and subsequent rounds of trade negotiations were intended to move the world closer to the goal of creating a single, seamless global market, in which goods, capital and labor flowed freely. However, power shifts have brought the WTO's neoliberal project to a halt.

The necessity of perpetual progress in expanding and deepening liberalization is a fundamental organizing principle of the multilateral trading system. Trade negotiators, Secretariat officials, and commentators often draw an analogy to the image of a bicycle: the notion is that the system needs to be continually moving forward, lest it topple over. This sentiment is expressed, for example, by James Bacchus (2004), former US legislator, trade negotiator and chair of the WTO's appellate body: "like a bicycle, the world trading system must always go forward. For, if it ever stops going forward, it will surely fail." He explains:

> the history of trade, and of trade policymaking, teaches us that a failure to move steadily forward toward freer trade condemns the world trading system to topple over and fall due to the accumulating pressures of protectionism… we must move steadily, gradually, incrementally forward on the bicycle, because, if we do not, the world will be overwhelmed by all the many reactionary forces that would have the nations of the world retreat from trade. If we do not, the world will turn away from growing economic integration, turn away from the mutual prosperity of growing economic interdependence, and turn inward toward all the self-deceiving illusions and the self-defeating delusions of an isolating and enervating economic autarky… we must keep lowering the barriers to trade or we will risk losing all the many gains from trade.
>
> Thus, whatever the pressures, whatever the economic happenstances, and whatever the political circumstances, we must always keep the bicycle we call the "world trading system" going forward by making ever more progress toward ever freer trade. We must keep pedaling … above all, we must never, never stop.

The bicycle metaphor is linked to a widely held belief that an interruption in multilateral trade liberalization generated an outbreak of protectionism that caused the Great

Depression and led ultimately to the Second World War (Wilkinson 2009b). Since its inception in the post-war era, the multilateral trading system has always been driven by "the perception that a fundamental crisis might result should trade liberalization be allowed to stall" (Wilkinson 2009b). Fred Bergsten (2005), for example, invoked these fears in a caution to trade ministers prior to the Hong Kong Ministerial:

> Since history clearly shows that trade policy must move forward continuously or risk sliding backward into protectionism and mercantilism … the consequences of Doha's failure for international security as well as economic relations around the world could be enormous.

This belief in the necessity of perpetual liberalization is a core tenant of the ideology that motivates the WTO.

The Doha Round was intended to be the next step in the liberalization of global markets. However, the power shifts that have taken place at the WTO have brought this program to a halt. After years of deadlock and stalemate, the "promise" of the Doha Round has yet to be realized – and its entire future is in doubt, with many believing it highly unlikely that the round will ever be concluded. This is a direct result of the rising power of Brazil, India and China and the new balance of power in the global political economy: greater equality between the old and new powers has produced stalemate, with the result that, at the WTO, the neoliberal project has been stillborn. Even if negotiators do manage to conclude the round, the extent of liberalization that would occur as a result is now miniscule compared to what was initially foreseen: estimates of the value of liberalization anticipated from the round have shrunk from $850bn when the round began in 2001 to $50bn now. Over the course of the round, the extent of liberalization has been progressively whittled away, as no side has been able to push major liberalization on the other and each has been able to carve out significant exemptions. The Doha Round is now “a greatly diluted version of what was launched in December 2001”(Dadush 2009: 1) and its potential impact, if concluded, “minimalist and inconsequential.” (Whalley 2006) An advisor to the Indian government described it as “Doha-light.”[234]

Moreover, if we look at the current substance of the prospective Doha agreement, there is no new expansion of WTO rule-making and liberalization into new areas as occurred in the Uruguay Round. The developed countries tried, for example, with the inclusion of the Singapore Issues – investment, competition and government procurement – to continue to expand the scope of trade rules but did not succeed. Of the “new issues” that were brought into the WTO in the Uruguay Round, little additional liberalization is expected to occur in these areas as a result of the Doha Round. In services, negotiators and Secretariat officials report that very little new liberalization (beyond what states have already taken unilaterally) is expected to occur through Doha.[235] In intellectual property, there has been no expansion of IP protections (so-called TRIPS+), as faced with fierce criticism of the TRIPS agreement from developing countries at the WTO coming out of the Uruguay Round, the US and EU have instead pursued such provisions elsewhere (primarily through bilateral and regional agreements). Likewise, there has been no new negotiation on investment. As a result, the Doha Round has now been limited primarily to tariff and subsidy reductions, and most negotiators report that they view the proposed cuts in these areas as quite small.[236] The degree of liberalization required of most developing countries – who constitute the majority of the WTO’s membership – in particular has been considerably reduced by fairly light tariff reduction formulas and

[234] Interview, New Delhi, March 2010.
[235] Interviews with negotiators and officials, Geneva, September 2008 – June 2009; New Delhi, March 2010.
[236] Interviews with negotiators and officials, Geneva, September 2008 – June 2009.

extensive flexibilities. It appears that most developing countries have enough water in their tariffs that they would be forced to reduce them very little, if at all.[237] As one official said of agriculture, for example, "new market access to developing countries is nonexistent in this round."[238] Tariffs and subsidies in agriculture and manufacturing have emerged at the center of the conflict between the old and new powers. Interestingly, tariffs and subsidies are the very issues that constituted the traditional bread and butter of trade agreements under the old embedded liberalism of the GATT. In fact, with a narrow agenda confined to tariffs and subsidies and including major flexibilities for most countries, the Doha round now looks much more like the embedded liberalism of the GATT than the neoliberalism of WTO.

The Uruguay Round and the creation of the WTO prompted a fierce reaction from civil society, as indicated, for example, in the massive outpouring of opposition at the Seattle Ministerial in 1999. In retrospect, however, it is possible that the Uruguay Round generated concern about the WTO less because of its own contents than what it portended for the future. In the end, perhaps many of the fears generated by the Uruguay Round have not materialized. Efforts to continue to expand the neoliberal agenda of the WTO with the Doha Round have largely been quashed by power conflicts. Instead, the prospective Doha agreement now looks far more like the old GATT agreements than the neoliberalism of the Uruguay Round. According to negotiators, the Uruguay Round actually contained relatively little in terms of liberalization itself and was instead seen as setting the stage for future negotiations for liberalization, particularly in the new areas such as services. But under the prospective Doha agreement that has grown out of the

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[237] Many negotiators indicated this in interviews.
[238] Interview, May 2010.

North-South conflict which has characterized the round, there will be little new liberalization – in manufacturing, agriculture, services, or elsewhere. Even NGOs – who have been among the strongest critics of neoliberalism and the expansion of WTO rules under the Uruguay Round – seem to view the WTO's agenda as much less of a threat than it once was. One NGO representative stated, "the agenda they are negotiating has changed a lot from where they started. The Doha agreement has gotten much less bad as the push-back from developing countries has gotten stronger in last few years."[239]

This is not to argue that the neoliberalism of the WTO has been eliminated. On the contrary, the existing rules of the WTO – including the Uruguay Round agreements – remain in force. Perhaps most importantly, the legalistic dispute settlement mechanism of the WTO – seen as a key element in the shift from embedded to neoliberalism – is still in place. Nor have more recent developments at the WTO undone the rules created by the Uruguay Round in areas such as intellectual property rights and investment (although they have blunted the most egregious aspects of the IP rules through the 2001 and 2003 agreements on access to medicines). Significantly, however, the planned expansion of WTO rules and its neoliberal agenda through the Doha Round has not occurred. First, beset by repeated stalemate, it looks like the round will be impossible to conclude. Second, even if states do manage to bring the round to a conclusion, the emergence of new powers and resulting conflict has brought the Doha Round "back to basics" – new issues have been kicked off the table and what states have been left negotiating are the core trade issues of tariffs and subsidies, and even the level of ambition for liberalization in these areas has been substantially scaled back. Thus, compared to the Uruguay Round, the Doha Round has gone backwards to a more limited agenda and scope of WTO rules,

[239] Field notes: remark from NGO representative at civil society conference in Geneva, November 2008.

more akin to the earlier era of embedded liberalism than the neoliberalism supposedly ushered in by the Uruguay Round.

The WTO's project is to push forward trade liberalization and neoliberal economic restructuring on a global scale. But power shifts have produced multilateral disintegration and brought its project to a halt. The new balance of power has either made conclusion of the Doha Round impossible, or at the very least dramatically curtailed its impact. What was supposed to be the start of the neoliberal project in the multilateral trading system – the creation of the WTO in the Uruguay Round – may have in fact become its apex. Ultimately the threat to neoliberalism at the WTO has come not from an ideological shift or challenge by the new powers, but because the new powers bought into it as much as the old. The result has been a stalemate and the inability to move the neoliberal agenda forward multilaterally. The WTO was to be a key pillar in the neoliberal restructuring of the global political economy, driving the liberalization and opening of markets around the globe. But now, as a result of power shifts, at the WTO, the neoliberal project has been stillborn.

The inability to further the neoliberal agenda at the WTO does not necessarily mean the death of neoliberalism in the realm of trade. While trade liberalization has withered and potentially ground to a halt at the WTO, there has been a proliferation of preferential trade agreements. As (Dadush 2009: 3) states, "During the fifteen years of the WTO's existence, trade liberalization has occurred everywhere *except* Geneva. While countries cut tariffs autonomously and signed hundreds of new regional agreements, the multilateral system sputtered." If the spread of neoliberalism through the WTO has been blocked, it is occurring through other channels. The action has shifted from the WTO – a multilateral forum – to bilateral and regional trade agreements, investment agreements, and even alternative trading arrangements (such as the resource extraction deals China is making in Africa and Latin America in exchange for providing investment and aid).

The growing impression that multilateralism was unworkable at the WTO caused countries to disengage from the multilateral trading system and turn to bilateral and regional free trade agreements (FTAs) instead. This process began with the traditional powers: when the rise of developing country opposition began to impede the US and EU from securing their objectives at the WTO, they started more aggressively pursuing bilateral and regional trade and investment agreements, particularly as a means to advance their most neoliberal objectives (such as TRIPS+ rules on IP rights protection that were stricter than the WTO's, investment protections and extensive services liberalization). The traditional powers have greater leverage in bilateral negotiations, enabling them to extract more than they could in the WTO context, including provisions such as these, which had been excluded from the Doha Round agenda due to opposition from developing countries under the leadership of Brazil and India. The traditional powers also sought to use the threat of turning away from the WTO towards FTAs as a means of pressuring other countries to capitulate to their demands at the WTO (Whalley 2006). After Cancun, the US in particular indicated it was going to intensify its strategy "competitive liberalization," which had begun under the Bush Administration in late 2000. In an op-ed in the *Financial Times,* US Trade Representative Bob Zoellick (2003) lashed out at Brazil and India – blaming them for the breakdown at Cancun – and made it clear that the US was going to reward cooperative countries and punish uncooperative ones by pursuing alternate trade deals:

> The key division at Cancun was between the can-do and the won't-do. For over two years, the US has pushed to open markets globally, in our hemisphere, and with sub-regions or individual countries. As WTO members ponder the future, the US will not wait. We will move towards free trade with can-do countries.

Zoellick elsewhere acknowledged: "The ability to be able to say, 'We'll do bilaterals' is very important when you're trying to negotiate a WTO agreement... [I] understand how to use national power. Bilaterals have been a very useful means of exerting influence." (quoted in Blustein 2009: 178) Unfortunately for the US, this strategy proved unsuccessful as a pressure tactic in the Doha Round, where the new powers in particular refused to be cowed. In addition, the US move to FTAs also prompted other countries to start initiating their own. There has since been an outbreak of FTAs among the developing countries and the new powers have been especially active in negotiating such deals. India, for example, is currently negotiating 17 FTAs.[240] As one representative of Indian industry stated, for example, "now when we're looking for market access, it's in FTAs."[241] Now it is not just the traditional powers that are pursuing bilateral and regional agreements, but nearly all the major economies. Nearly 400 FTAs are currently under negotiation or in force.[242] The result has been what two prominent trade economists have termed "an "epidemic" of FTAs (Bhagwati and Garnaut 2003). The advance of neoliberalism in the realm of trade may therefore be pursued through other channels such as unilateral liberalization or bilateral and regional trade and investment agreements. However, all signs from the WTO suggest that power shifts and multilateral

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[240] Interview with Indian trade official, New Delhi, 2010.
[241] Interview, New Delhi, 2010.
[242] Source: WTO statistics, accessed at: http://www.wto.org/english/tratop_e/region_e/region_e.htm.

disintegration have resulted in an inability to move the neoliberal agenda forward multilaterally.

In sum, the case of the WTO therefore suggests that we are seeing the emergence of multipolarity not only in the global economy but also in the global governance institutions, with the rise of new developing country powers challenging the primacy of the US and other advanced-industrialized states. Brazil, India and China are exercising considerable influence at the WTO. The consequence of these power shifts and the increased influence of new powers has been profound: it has resulted in multilateral disintegration and the stillbirth of neoliberalism at the WTO. Although the new powers are challenging the hegemony of the US rather than the neoliberal paradigm of the WTO, the result has been a clash between the old and new powers that has produced repeated stalemate in the Doha Round. The Doha Round appears to have failed, and if concluded, will be a dramatically watered-down version of what was originally envisioned. The power shifts have thus cut short the WTO's project of progressively expanding trade liberalization and bringing about neoliberal economic restructuring on a global scale.

Implications for Globalization Theory

The shift in power relations in global economic governance is changing the neoliberal globalization project, including how and where it is being advanced and by which actors. If the US was "the principal author and beneficiary of globalization"(Cox 2002: xx), new authors and new beneficiaries are quickly emerging. The case of the WTO makes it clear that the Western powers can no longer control globalization to the degree they once did. In institutions like the WTO, the US and its Northern allies are now faced with real interlocutors – with their own agendas and interests – and forced to negotiate in a way they never have before. Brazil, India and China have emerged as a real force to be reckoned with at the negotiating table. Moreover, the new powers are themselves using the WTO and the dominant discourse of neoliberalism, combined with a discourse of development, as a powerful combination to press for their own interests. It is a testament to the persistence and triumph of neoliberal discourse that it is now being turned back and used against its creators.

From the US perspective, globalization now seems increasingly like something akin to Frankenstein's monster – a force it played a major role in creating but can no longer control. The US was once the primary driver and architect of globalization, but is now increasingly in retreat, reactive and on the defensive – threatened by foreign competition and challenged in international institutions like the WTO. Popular support for free trade has declined significantly in the US and other Northern countries, where large portions of the citizenry are now opposed to free trade. According to a survey by the Pew Research Center, nearly half of US citizens (48 percent) believe that free trade agreements are "a bad thing" for the country, compared with 35 percent who say that they are beneficial. That represents a significant shift from a decade ago, when 47 percent of Americans said trade deals were a good thing, and only 30 percent said they were harmful to the country's economy (Bridges 2008). The growing backlash against free trade was captured in a letter from a large group of members of the US House of Representatives to President Obama, which stated that "the public opinion [is] that America's trade and globalization model needs a major overhaul."[243] Instead, popular support for trade and globalization is now increasingly coming from the developing world, not the developed. While free trade is increasingly unpopular in the US, support

[243] Letter from members of US House of Representatives to President Obama, February 26, 2009.

for globalization is strong in developing countries (Warwick Commission 2008). A Gallup Poll found that 71 percent of Africans, for example, thought globalization was good for their countries. In the Asia Pacific, 52 percent of those surveyed had a positive perception of globalization, with only 5 percent viewing it as negative. Developing countries – and specifically the new developing country powers, who have experienced major expansion of their export sectors and the emergence of their own globally competitive and highly sophisticated private sector actors – are potentially displacing advanced-industrialized states like the US and EU as the most vocal advocates of free market globalization and the push to expand and liberalize global markets.

The developing countries that are currently growing more powerful in global economic governance are the very ones that have benefited from the existing international economic order. The neoliberal turn in the global political economy and the free trade policies adopted by many countries in recent decades have enabled their exports to boom and provided the fuel for their remarkable economic growth and development in recent decades. If a challenge to global neoliberalism is to arise, it is highly unlikely to come from Brazil, India or China. Paradoxically, the unintended consequence of their challenge to the dominant powers within the WTO has been a stalemate in the Doha Round, preventing further expansion of the neoliberal project at the WTO. But the new powers are still making extensive use of the WTO's existing rules and its dispute settlement system to advance their interests vis-à-vis the traditional powers and other states; and they are also increasingly going outside the WTO – to bilateral and regional trade agreements, for example – to advance their trade interests, access inputs, and expand markets for their exports.

Existing theories of economic globalization have characterized it primarily as a project of the Global North – its corporate and business sector actors in alliance with their governments. This case has important implications for our understanding of globalization, as it demonstrates that the locus of economic globalization no longer rests solely in the Global North. Developments at the WTO over the last decade demonstrate that a narrow focus on states and capital of the Global North – which has been the dominant approach in the existing literature – limits our ability to analyze and understand the contemporary dynamics of economic globalization and its governance. If globalization's "center of gravity" originated in the Global North (Sassen 2002) – as a project of Northern TNCs and their allied governments – it is evolving. The case of the WTO suggests that we are entering a new phase, in which some of the impetus behind globalization and efforts to shape its governance and direction is shifting to the Global South. New agents of economic globalization have emerged in the Global South – they have substantial economic might, are playing an increasingly important role in global governance, and are now key demandeurs pushing for the expansion of markets.

Beyond the WTO

The current study has been limited to a single institution – the WTO – and there is a strong need for further research to examine and compare the behavior of the new powers and their impact in other global governance institutions. However, there is reason to believe the dynamics identified here are not unique to the WTO. On the contrary, a preliminary examination suggests that similar patterns may also be occurring across other areas of global economic governance, such as the Group of 20 Heads of State (G20-HOS), the IMF and World Bank, and the international climate change negotiations.

Similar power shifts appear to be taking place in these other institutions, with Brazil, India and China, among others, coming to play an increasingly important role. The changes that took place at the WTO proceeded those in most other governance institutions and there is reason to believe the WTO may actually have catalyzed – or at least contributed to – similar changes in other institutions. The G20 challenged the old way of doing business at the WTO (and, indirectly, in the process other multilateral forums), in which the Western powers largely ran the show and imposed their will on the rest of the world. By conferring recognition on the new developing country powers and giving them a seat at the negotiating table, developments at the WTO helped to delegitimize their continued marginalization or exclusion in other institutions, such as the G8, IMF and World Bank. In this way, the changes that occurred at the WTO could be seen as setting off a domino effect across other arenas of global governance.

Furthermore, the WTO appears to have provided the training ground in which new powers began to assert themselves in global economic governance and learned how to build and effectively exercise their power vis-à-vis the US and EU. As a senior official responsible for international economic affairs in the Brazilian government stated:

> What happened at the WTO was an anticipation of broader changes in global economic governance that occurred a few years later. The WTO was the main test of this new era of emerging powers being at the centre or core of global issues… I'm sure the good experience we had in the WTO G20 [has been a factor] when we're devising other coalitions on other issues. The main grouping at the WTO in the G20 is Brazil, China, India and South Africa, and if you look at the key group in the G20 Leaders Summit or the BASIC group in the climate change negotiations, it is exactly the same composition. The WTO G20 is where we learned to work together. Even if this round ends in nothing, or concludes successfully, for us probably the most important result is the patrimony of articulation and coordination with developing countries and LDCs. That grew out of conditions particular to the WTO but has also had consequences outside the

> WTO. It has served as an example of what we can achieve in a very concrete and practical way. Now it's not just ideology like in the 70s.[244]

This assessment was echoed by a prominent Brazilian journalist: "We used the WTO G20 to help us become a big global player. And the government of Brazil saw in the WTO G20 the demonstration of what it was capable of doing in the international arena."[245] Likewise, an Indian official stated:

> Developing country coalitions are extremely important for us. The WTO was a forum where we came to see that we can do collective bargaining on issues of common concern, where can put our act together against the big guys. We really pushed the US and EU onto the back foot. And this gave us confidence elsewhere. The growing confidence India has [on the international stage] it got from negotiating at the WTO with developing countries.

Similarly, a representative from a government-sponsored Indian trade policy think tank pointed specifically to the BASIC (Brazil, India, China and South Africa) coalition at Copenhagen as an example of "positive fallout from the WTO," stating that "it was the convergence of interests at the WTO brought these countries together and led to other positive alliances."[246]

A key lesson Brazil, India and China appear to have learned at the WTO – and a strategy they have consequently adopted more widely beyond that institution – is the value of allying. In analyzing the case of the WTO, I have argued that the new power of Brazil, India and China is highly interdependent: they have needed to ally together, and secure the backing of the developing world more broadly, in order to effectively counter the traditional dominance of the US and EU. Such alliances have been critical to their success in advancing their interests and evading the pressures and threats they face at the

[244] Interview, Brasilia, May 2010.
[245] Interview, Brasilia, May 2010.
[246] Interview, New Delhi, March 2010.

WTO. Similarly, alliances appear to play an equally important role for the new powers in other institutions. Just as at the WTO, the new powers have placed great emphasis on unity in the face of the traditional powers in other governance forums, including the G20-HOS and the climate change negotiations. They have actively worked to build alliances – with each other and with other developing countries – and such alliances are playing a similarly important role in their ability counter-balance the US and EU. BRIC foreign ministers have been meeting annually since 2006, with their leaders holding regular "BRICs Summits" since 2009 (South Africa was added to the group in 2010 – making it the BRICS), in order to foster coordination and cooperation on a range of issues relating to global governance, including development, peace and security, energy and climate change, and social issues. India, Brazil and South Africa established the trilateral IBSA Forum in 2003 to promote mutual cooperation and jointly voice the demands and concerns of the Global South. As one advisor to the Indian government stated, "These countries are far apart geographically and trade among them is miniscule. Economically, there would be far more gain to be had from FTAs with countries with closer geographic proximity. But IBSA is not about an economic rationale, it's about establishing a political position."[247] The new powers united in pressing for voting reform at the IMF and World Bank, in order to strengthen their position in the face of strong opposition from European states who stood to lose the most from reform. There has also been extensive coordination among the new powers in the G20-HOS. Prior to each G20-HOS summit, the BRICS have met to agree upon a common position; they have aligned together and taken a united approach, effectively forming a bloc within the G20. As one Brazilian commentator stated, in the G20 "alliances were key to getting a seat in this

[247] Interview, New Delhi, March 2010.

discussion. Brazilian authorities know Brazil doesn't have real power, it has soft power. So coalitions Brazil can make – IBSA, BRICs, etc. – can empower Brazil and make that soft power more effective. It's a diplomatic game."[248]

Similarly, in the international climate change negotiations, China has initiated and led the BASIC bloc (Brazil, India, China and South Africa), which has committed to act jointly. The four countries are among the world's fastest-growing emitters of heat-trapping gases and under significant pressure – particularly China – from the Northern states to commit to reduction targets. For their part, they have argue that the advanced-industrialized nations should take the largest share of the burden of cutting greenhouse-gas emissions and they criticize absolute emission caps for developing countries, arguing instead for limits based on population or intensity of use. At the climate change negotiations in Copenhagen in 2009, the US requested a bilateral meeting with China, in which it planned to nail down the terms of the final accord (giving rise to much talk about a new "G2"). However, when the US showed up for what it thought would be bilateral talks with China, China had brought along Brazil, India and South Africa. Thus, as aptly stated in *The Economist* (2010) "what was conceived [by the US] as a bilateral talk turned instead into a negotiation with an emerging-market block." In addition, the BASIC countries have worked closely with G77 developing countries and particularly sought to stress their solidarity with poor nations, by calling for the rich countries to deliver on their aid promises to poor countries and agreeing to establish their own fund to help LDCs and small island states address climate change. China's efforts to use "aid diplomacy" to build support from other developing countries – including many in Africa – also suggest a similar need for developing country support and alliances outside the

[248] Interview, Brasilia, May 2010.

WTO. Alliances – both with each other and with the rest of the developing world – have thus been a key part of the new powers' strategy not only at the WTO but also in these other global governance forums.

There appears to be a strong sense among the new powers that they gain ground in global economic governance by uniting. As a senior Brazilian official stated:

> The Government of Brazil's position has been based on the belief that coordination with the big developing countries is the best way to enhance our leverage in international forums – mainly but not exclusively international economic forums. For example, this has been the case in the Leaders G20 [G20-HOS] – where there has been a lot of coordination between the BRICs. And it's not only economic – it has also useful in the climate change negotiations (even if we are not always so happy with China's position). We know it is the best way to elevate our interests on the international stage. And we feel to a great extent that our interests coincide with China and India. This may change as pressures from the private sector increase [e.g., on the China currency issue]. And even if China is strong enough to do it alone, increasingly they don't want to be dissociated from us – they don't want to be singled out. So when all that talk about the "G2" [US, China] started to be mentioned, China came very quickly to us and said this does not exist, there is no G2. They made a clear choice there.[249]

Despite their differences (on a host of issues, including trade, environment, and currency), Brazil, India and China still see the US and EU as the bigger threat and view their interests as best served by allying. The new powers have consequently tried to suppress potential conflict among them in order to build and maintain their alliance. For example, on being asked whether Brazil would raise the issue of China's currency (a significant concern of Brazil's manufacturing sector) at an upcoming G20 meeting, a Brazilian official explained:

> We don't have a dog in this fight – we'll let the US fight China on this. There is nothing for us to gain by adding our voice to the debate. That's a major US concern. We have other battles to fight. We will leave any issues we might have with China to private BRIC meetings. In the G20,

[249] Interview, Brasilia, May 2010.

> it's not the time to give the impression of divisions within the developing country group.[250]

An observer summed up this strategy as: "Let the US do the dirty work for us – we have nothing to gain by putting our self out there."[251] There is a strong reticence among the new powers to break with each other. As at the WTO, alliances appear to be playing an equally central role in other institutions, with the same line of division drawn between the old and new powers. Across several institutions, the US, EU, and other Northern states, on one side, are faced off against Brazil, India, China, and other large emerging economies, on the other. These alliances may not necessarily be stable or constant – it is possible that these they may shift over time or in other venues – but at this point in history, they appear strikingly similar across a range of different areas of global governance.

The case of the WTO suggests that shifting power and the new multipolarity are making it harder to govern the global economy multilaterally. Power shifts may have brought institution-building at the multilateral level to a halt. At least in the case of the Doha Round, international cooperation appears to have failed. The emergence of competing powers to counter-balance the traditional dominance of the US has resulted in the inability to pursue the continued progress of trade liberalization and economic globalization through multilateral governance institutions like the WTO. These power shifts appear to be similarly disrupting multilateralism in other areas of global governance. The negotiations on a new international climate change agreement, for example, have thus far been largely seen as a failure. The climate change negotiations have been effectively halted by a dispute between the existing and emerging powers –

[250] Interview, Brasilia, May 2010.
[251] Interview, Brasilia, May 2010.

centered especially on the US and China – over whether and to what extent the large developing countries should be required to cap and reduce their carbon emissions. This is almost a mirror image of the conflict taking place at the WTO that has blocked conclusion of the Doha Round. Just as at the WTO, once again the battle lines have been drawn between the new and emerging powers in a distributional struggle over the balance of their respective contributions and commitments. Likewise, despite initial enthusiasm spurred by its creation, the G20-HOS has been increasingly criticized as ineffective and seen as failing to produce any meaningful action in responding to the aftermath of the 2008 financial crisis or reforming the international financial architecture, due primarily to a standoff between the old and new powers. Divisions within the G20-HOS have closely resembled those within the WTO, and with a similar result. As a recent article in the *Financial Times* (2011b) stated, “the G20's bickering and brinkmanship bear an uncanny and unfortunate resemblance to the stalled Doha trade talks.” Thus, although further research is needed to investigate and compare these other areas of global governance, it would appear that, as at the WTO, power shifts have seriously impeded multilateral agreement and the construction of new multilateral rules and institutions.

Empirical analysis of the case of the WTO suggests that the new multipolar world is a world of multilateral disintegration. This phenomenon is not adequately explained by existing theories of international relations and the world system. As described in the introductory chapter, liberal international relations (IR) theory contends that multipolarity is congruent with cooperative and successful multilateralism. It predicts that new powers will be smoothly integrated into the Western-made liberal world order and collective action will prevail as the old and new powers find ways to jointly manage the international economic architecture. However, an analysis of recent developments at the WTO – which is substantiated by an initial examination of the other global governance institutions mentioned above – suggests just the opposite: power shifts are producing multilateral breakdown. Such an outcome is more consistent with the expectations of realism, which foresees power struggles, conflict, and a weakening of multilateralism from the emergence of new powers and the decline of US hegemony. Realist IR scholars express fears that this could trigger the breakdown of the liberal international economic order and ultimately "deglobalization." Yet, realists assume that this conflict will be caused by the emerging powers rejecting the norms and principles of the existing liberal economic order created by the Western powers. Critical theorists inspired by world-systems and dependency theory and critical Marxism similarly raise the prospect that new powers might challenge the existing international economic order, although they express hope that this could disrupt the current trajectory of neoliberal globalization and usher in a new, more equitable and progressive economic order. Although the emergence of new centers of power does indeed appear to have threatened multilateralism and the expansion of neoliberal globalization through multilateral institutions like the WTO, this is not for the reasons offered by either realism or the critical/world systems theory perspective. The cause of multilateral disintegration has not been a rejection by the rising powers of the existing liberal international economic order, but a distributional struggle between the old and new powers taking place *within* that order.

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