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Beyond the Eighth Ministerial Conference on the WTO: A Forward Looking Agenda for Development

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Beyond the Eighth Ministerial Conference of the WTO: A Forward Looking Agenda for Development

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The Eighth Ministerial Conference of the World Trade Organization (WTO) in Geneva, Switzerland, from 15 to 17 December 2011 offers a critical opportunity to generate fresh perspectives to strengthen the multilateral trading system and bring momentum back to trade talks in ways that secure development-friendly outcomes. Rather than being merely a routine exercise, the Ministerial Conference could be harnessed to take stock of where progress has been made and where it falls short on the development-front, and to clarify what remains to be done for the poorest, smallest and most vulnerable WTO Members. Failure to address adequately the interests of the WTO's poorest and most vulnerable member states not only damages the development prospects of these countries, but also presents clear risks for the credibility of the multilateral trading system.

On 30 November 2011, the Chair of the WTO's General Council released a document titled 'Elements for Political Guidance' for consideration by the ministers at the Ministerial Conference. The document outlines three areas where ministers will be called upon to provide direction and guidance: (1) strengthening multilateralism; (2) trade and development; and (3) the Doha Development Agenda (DDA). The 'Elements for Political Guidance' is intended to serve as the basis for the first half of the 'Chairman's Statement', which in addition to any Decisions taken by Ministers, will emerge as the core 'outcome' document for the Ministerial. The second half of that Chairman's statement will summarize discussion at the Ministerial itself, including those that emerge from the formal statements of Member States in plenary sessions and the outcomes of three parallel working sessions on the three areas noted above. Ministers are also expected to adopt a number of draft decisions already forwarded for their consideration (such as on a services waiver for LDCs, an extension of the LDC deadline for TRIPS implementation, on LDC accessions, and the accession of several new WTO members).

For many least developed countries (LDCs), low-income developing countries (such as non-LDC Sub-Saharan African countries) and small vulnerable economies (SVEs), the 'Elements for Political Guidance' are considered to reflect progress on some issues, particularly in procedural terms, for which their negotiators have valiantly fought. However, the fact that the document merely repeats well-worn promises on a number of critical issues reveals how few concrete development outcomes have been achieved over the past decade.

The Ministerial Conference is an opportunity to set a clear roadmap of priorities for ensuring more concrete outcomes for LDCs, other Sub-Saharan African countries, and SVEs.

The paper proceeds in four parts. Part 1 revisits the commitment of the international community to ensuring that the international trading system is tailored to meet the particular needs of developing countries. It highlights the risks and opportunities for developing countries at the forthcoming Ministerial.

Part 2 briefly examines the characteristics of LDCs and SVEs and their recent economic and trade performance.

Part 3 assesses the lessons learned regarding the strategies that poor and small, vulnerable countries have pursued, particularly the use of coalitions, to advance their interests.

Part 4 reviews the state of play on key priorities for the WTO's poorest and smallest Members and sets out key areas for attention at the forthcoming Ministerial and beyond.

1. Poor and Small Countries: Trade and Development Perspectives

The WTO's 'Development' Commitments and the Doha Development Agenda

The preamble to the Marrakesh Agreement Establishing the WTO (the WTO Agreement) recognizes the particular needs of developing countries in the trading system, including, *inter alia*, the objective of greater employment. Several of the WTO agreements detail general principles and objectives that emphasize Members' development and public policy objectives, as well as other national goals such as political security. In legal terms, the WTO's preamble recognizes the importance of sustainable development, calling on governments to conduct their economic and social objectives in trade relations in a way that allows "for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development".[2]

In recognition of the special needs and circumstances of developing countries, there are special provisions across WTO Agreements including those which allow members to extend more favourable preferential treatment of imports from LDCs; special rules to provide flexibility to Developing Countries to take measures for promoting economic development; and Special and Differential Treatment (S&D) inter alia through 5-10 year transitional periods, especially to LDCs, for acceptance of obligations, and technical assistance to Developing Countries.

In 2001, WTO Members reaffirmed these objectives in the Doha Ministerial Declaration, stating their conviction that the open, multilateral trading system and sustainable development "can and must be mutually supportive" and making development the stated purpose of the Doha Round.[3] Indeed, the 2001 Ministerial Declaration is replete with references to the role of international trade in promoting development and alleviating poverty. It makes a special reference to the vulnerabilities of the least developed countries and commits itself to addressing their marginalization in international trade and to improving their effective participation in the multilateral trading system. It also recognises that 'small and vulnerable economies' (SVEs) need support to improve their integration into the international trading system.[4]

Several other international programmes and expressions of commitment pledge to support the poorest, smallest and most vulnerable countries to overcome their development challenges in the trading arena. These include commitments in terms of the Millennium Declaration of 2000, notably including Millennium Development Goal 8 (MDG 8) calling for a global partnership for development, with the objective of developing a rule-based international trading system that would address the special needs of LDCs, landlocked developing countries and small island developing states; the

[2] Marrakesh Agreement Establishing the World Trade Organization: Preamble

[3] Para 6, Doha Ministerial Declaration

[4] Para 35, Doha Ministerial Declaration

Monterrey Consensus on financing for development; and, most recently, the Fourth United Nations Conference on LDCs, which has declared a 'renewed and strengthened partnership for development', with both individual and joint actions identified for partners and recipient countries respectively.[5]

Why Responding to Development Matters: Risks and Opportunities

The failure of the multilateral trading system over the past decade to adequately deliver concrete development-friendly outcomes has pernicious implications for many developing countries. For small and poor countries, it frustrates their efforts to achieve greater participation in world trade and to boost trade-led development, poverty reduction, and economic diversification. At a time of increasing uncertainty in the global economy, steps to improve the resilience of small and poor countries are especially pressing. The economic fortunes of these countries are driven by international markets to a greater extent than ever. Dependence on exports of a few primary commodities and fuel, widespread food insecurity, low income levels, and weak institutional capacities render them especially susceptible to fluctuations in world prices and the least able to respond to such shocks.

Another risk of further stagnation in WTO discussions is that it will reinforce the shifting locus of trade negotiations away from the multilateral level. For the poorest and small members, a multilateral approach to trade relations, with all its imperfections, continues to offer the best prospect for managing collectively the mercantilist power plays that define global trade relations. In bilateral negotiations, these countries are even more vulnerable to asymmetric negotiating dynamics and such talks do not offer the prospect of global rules that address their needs.

Inadequate attention to the needs of the weakest countries also presents risks for other WTO members. Together, small and poor countries comprise at least half of the WTO's members and observers. Failure to deliver on development further corrodes the spirit of multilateralism. Postponing concrete actions leaves poor and vulnerable countries to trail behind and serves only to perpetuate cycles of poverty and political unrest, the impacts of which ultimately ricochet back to more prosperous countries.

On the other hand, a proactive set of decisions that offer concrete outcomes for poor, small and vulnerable countries within clear time-frames would provide several benefits. It would send an important signal of the enduring potential for constructive intergovernmental co-operation on critical economic issues. It would provide real and long-awaited economic benefits to the hundreds of millions of citizens in the recipient countries, which in turn would be a small but useful positive step for global markets amidst resurgent financial and economic crises. It would also simply be the right thing to do; it would demonstrate that the international community's stated commitments to fairness and inclusiveness can amount to more than lofty rhetoric.

2. LDCs and SVEs: Key Characteristics

At present, forty-eight countries are classified by the United Nations as LDCs. These countries face a series of severe structural impediments to their economic development, manifest in terms of low levels of per capita income, a low human asset base (health, education, and nutrition), and a high level of economic vulnerability (Table 1). LDCs are

[5] The development partnership in the Istanbul Programme of Action of LDCs has been defined to include: (i) traditional partners (developed countries); (ii) UN Systems including the Bretton Woods Institutions (BWIs), other multilateral institutions, and regional development banks; (iii) developing countries within the framework of South–South co-operation; and (iv) the private sector, civil society and foundations.

less integrated into the global trading system than other developing countries, with total imports and exports equivalent to 59 per cent of GDP in 2009, compared with an average of 73 per cent for developing countries as a whole (Table 2).

While the forty-seven SVEs have higher levels of income and a stronger human asset base than LDCs, they share one major challenge: levels of economic vulnerability that far exceed those of other developing countries (Table 1). Both groups are prone to two major types of exogenous shocks: natural disasters (related to natural or weather-related phenomena, such as earthquakes, volcanic eruptions, droughts or cyclones) and those emanating from the external economic environment (such as sharp slumps in external demand, and terms of trade shocks). They are more prone to such shocks than other groups of countries because their economies are heavily reliant on the export of primary commodities and because they tend to be situated in regions that are prone to natural disasters.

For SVEs, economic vulnerability is exacerbated by two factors: small population sizes that average less than 1 million, compared with 17 million for LDCs, and 38 million for other developing countries (Table 1); and the fact that they are far more integrated into the global economy than other groups of countries (Table 2). Thirteen SVEs countries face particularly severe development challenges as they are also LDCs (see Annex 1).

Table 1: Characteristics of LDCs and SVEs (2009)

	GNI Per Capita (US$)	Human Assets Index[6]	Economic Vulnerability Index	Population Size[7]	Export Concentration[8]	Natural Shock Index
LDCs	848	45.8	52.8	16.8 million	0.50	45.8
SVEs	5,184	78.8	50.6	0.84 million	0.50	41.4
Other Developing Countries	6,011	81.1	32.6	38 million	0.35	35.0

Source: UN Development Policy and Analysis Division: LDC Data Retrieval Database (2009)

Table 2: Levels of Trade Integration (Exports plus Imports as a share of GDP)

	1995	2000	2005	2009
LDC Average	45	52	61	59
SVE Average	112	113	119	116
Developing Country Average	60	67	77	73

Source: UNCTADstat

SVEs also face particular trade challenges that arise from their small population size and geographic remoteness. Small populations result in a small domestic market and firms that struggle to expand beyond small and medium scale, which in turn means that companies are unable to realise the benefits of economies of scale in production, governments and companies struggle to invest in infrastructure development, and

[6] The Human Assets and Economic Vulnerably Indices reflect averages of component indices measured from 0 to 100 and based on minimum and maximum values of all developing countries
[7] Population size for Other Developing Countries excludes China and India
[8] The export concentration index is the Herfindahl-Hirschmann index, ranging from 0 to 1, where 1 is the maximum level of concentration, where only 1 product is exported.

product and factor markets are uncompetitive.[9] Geographic remoteness and isolation compound these problems by driving up trading costs. The combination of these factors to high production costs and renders SVE exports uncompetitive in global markets.[10]

Economic and Development Trends

Over the past four decades, the economic growth trajectory of LDCs and SVEs has differed significantly (Table 3). Between the 1970s and 1990s, LDCs experienced extremely low levels of growth, and per capita incomes declined in real terms. During the same period, SVEs grew steadily, with compound annual per capita growth at 1.1 per cent, however this was substantially lower than the developing country average of 2.6 per cent.

During the past ten years, LDCs witnessed their longest period of sustained growth since the 1970s, with compound annual growth rates per capita growing at 3.8 per cent. The surge in economic growth among LDCs is largely attributable to the international commodity boom and rapid rise in prices of minerals and fuels, which has greatly increased the value of LDC exports.[11] In contrast, the growth performance of SVEs slowed to only 0.97 per cent, far lower than the developing country average.

Table 3: Trends in Income and Growth (1970-2010)

	Average GDP per capita (constant 2005 US$)					Compound Annual Growth in GDP per capita (%)	
	1970	1980	1990	2000	2010	1970-2000	2000-2010
Developed Countries	15,971	20,574	26,158	31,628	34,585	2.23	0.82
All Developing Countries	790	1,113	1,276	1,722	2,624	2.55	3.90
LDCs	330	316	301	329	496	-0.01	3.80
SVEs	3,852	4,860	4,793	5,451	6,059	1.13	0.97

Source: Based on Data from UNCTADstat

These aggregate figures mask wide variation with the LDC and SVE groups as growth has not been evenly spread. While resource-rich countries like Angola, Equatorial Guinea, and Trinidad and Tobago experienced very rapid growth over the past decade, in twelve countries, average per capita incomes were *lower* in 2010 than in 2001, including in Comoros, Kiribati, Liberia, and Nauru.

For LDCs, extremely low-income levels are the result of low levels of productive capacity.[12] To put things into perspective, in 2010, 832 million people were living in LDCs (12 per cent of the world population), and their gross domestic production was estimated at only US$563billion dollars (0.89 per cent of world GDP), a similar output to that of the 10-million strong Belgian economy.[13] Their economies are characterised by a lack of economic diversification and high dependence on primary and traditional

[9] See Qureshi and te Velde (2008) for details of the challenges faced by small states that include African, Caribbean and Pacific small island states.
[10] A Commonwealth Secretariat study, Winters and Martins (2005), finds that business costs, particularly transport and labour, are significantly higher in small states.
[11] Emily Jones (2011) Delivering On Development? An Evaluation of the Economic Development of LDCs against the Brussels Programme of Action (2001-2011): Paper for Commonwealth Secretariat
[12] According to UNCTAD, productive capacities include physical and human resources, entrepreneurial capabilities and productive linkages, which together determine the capacity of a country to produce goods and services. This definition is broad and includes infrastructural development, accumulation of factors of production in agriculture, industry and services sectors, and enhancement of productivity etc. Also see UNDESA (2008).
[13] Data from UNCTADstat

economic activities. On average, agriculture, forestry, and fisheries account for more than 30 per cent of the economy of LDCs, compared with an average of only 13 per cent in SVEs, and 11 per cent in other developing countries.[14]

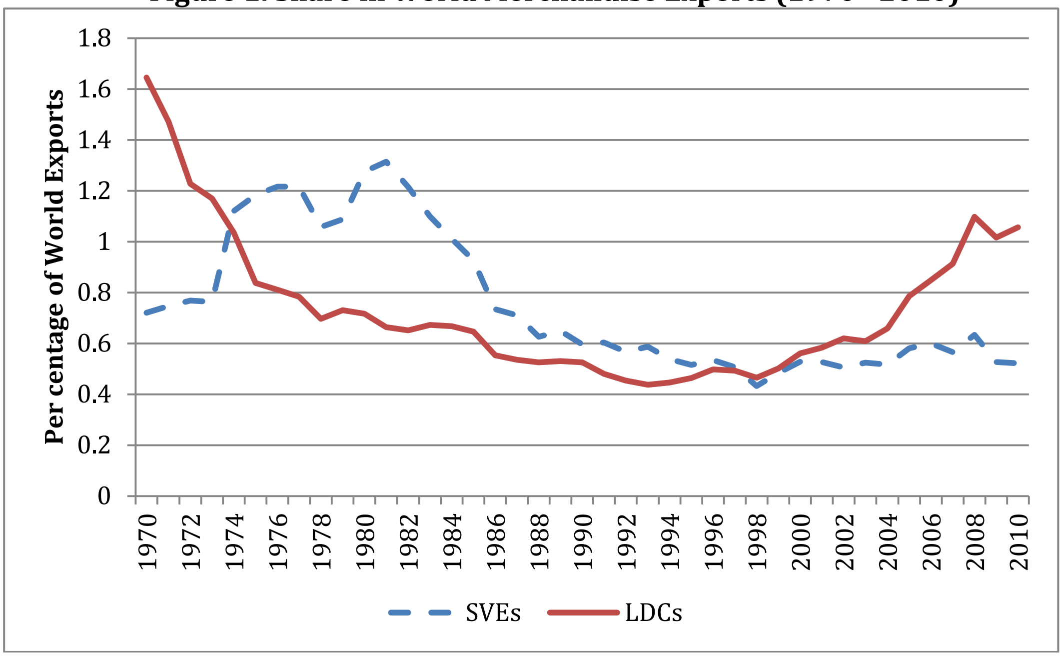
A notable and worrying feature of the recent record levels of growth in LDCs is that this has been driven by an expansion of the extractive sector rather than structural transformation of their economies. Despite robust growth during the 2000s LDCs the share of manufacturing in GDP expanded marginally, and now accounts for only 12 per cent of GDP on average, compared with a developing country average of over 20 per cent. In sixteen LDCs the share of manufacturing declined over the decade.[15]

Trade Trends for LDCs and SVEs

A long-term concern for LDCs and SVEs has been their marginalisation in world trade. While LDCs accounted for 1.6 per cent of world merchandise trade in 1970, by 1998 this had declined to a low of only 0.5 per cent (Figure 1). Over the past decade, there has been a revival and their share of world merchandise trade increased to just over 1 per cent in 2010. In commercial service exports LDCs registered significant declines in the 1980s and their share has stagnated at around 0.6 per cent (Figure 2). "If one excludes oil and minerals from the export basket of LDCs, the share of LDCs in world merchandise trade has mostly remained static. LDCs remain as vulnerable as ever to exogenous shocks, and their trade profile continues to be characterised by heavy reliance on a limited range of export products" (Priyadarshi and Rahman 2011: 5).

During the past decades, SVEs also saw a steep decline in their share of world merchandise trade, from a high of 1.3 per cent in 1981 to only 0.4 per cent in 1998. However unlike LDCs, SVEs have not seen a recovery over the past decade. In services, which is a sizeable export sector for SVEs, marginalisation persists, with shares falling from a high of 1.4 per cent in 1984 to 1.0 per cent in 2009.

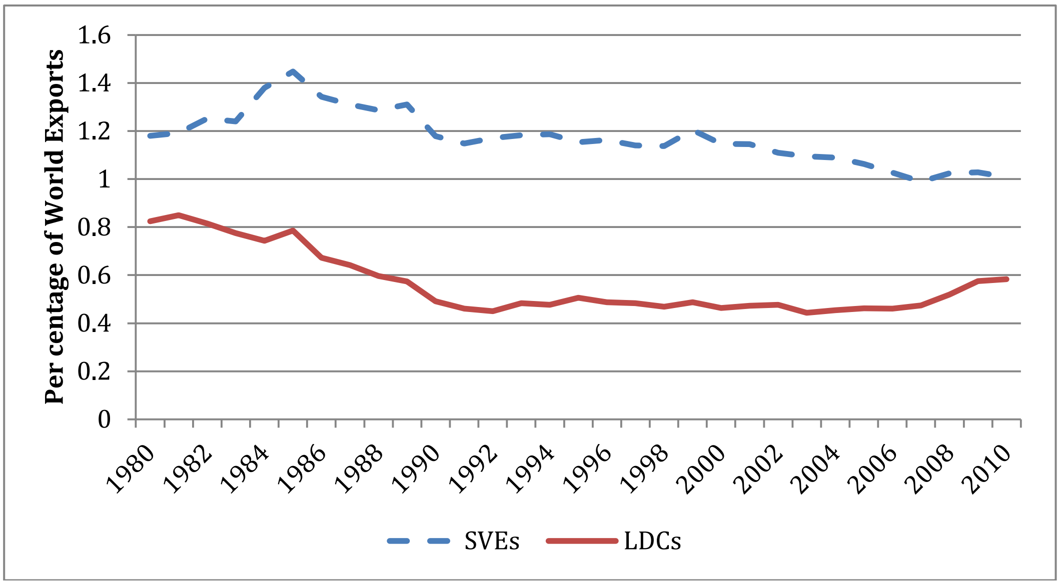
Figure 1: Share in World Merchandise Exports (1970 - 2010)



[14] UN DESA LDC database

[15] Emily Jones (2011) Delivering On Development? An Evaluation of the Economic Development of LDCs against the Brussels Programme of Action (2001-2011): Paper for Commonwealth Secretariat

Figure 2: Share in World Services Exports (1980 - 2010)



A major contributor to the economic vulnerability of LDCs and SVEs is their lack of economic diversification, which is reflected in the composition of their exports and heavy reliance on primary commodities (figures 3 and 4). While services exports are sizeable for SVEs, primary commodities and fuel feature prominently among the exports of both groups, and their share has risen rapidly. In 1995, the share of primary commodities and fuel in exports was 54 per cent for LDCs, and 40 per cent for SVEs, and by 2008 this had risen to 72 per cent and 54 per cent respectively, before declining slightly over the past two years.

Figure 3: Composition of LDC Exports (1995-2010)

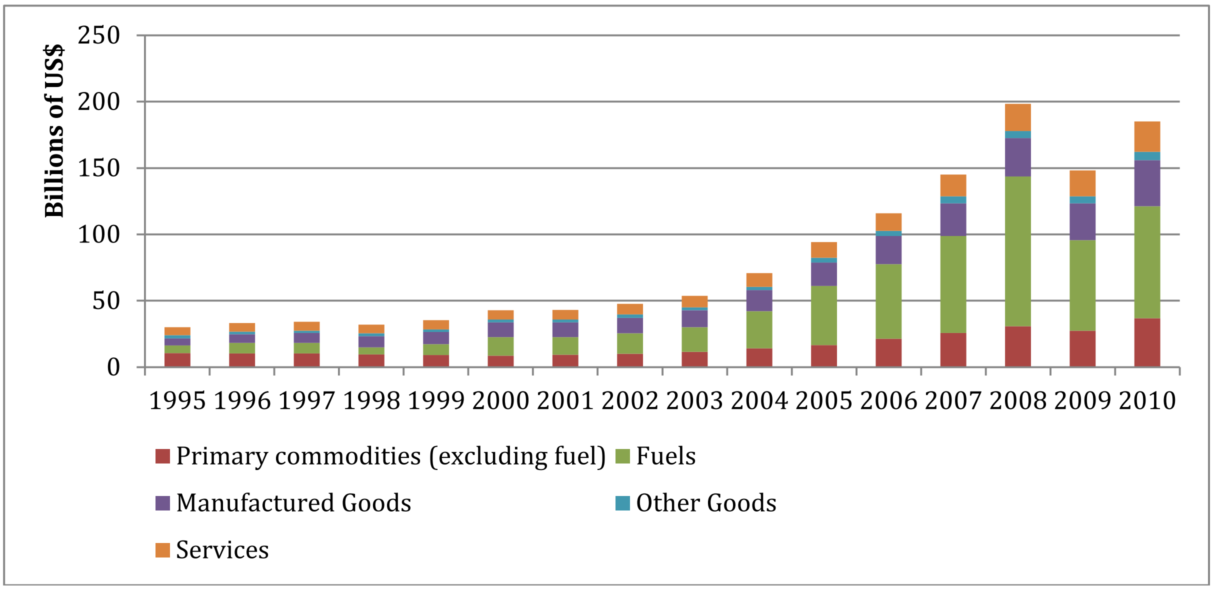
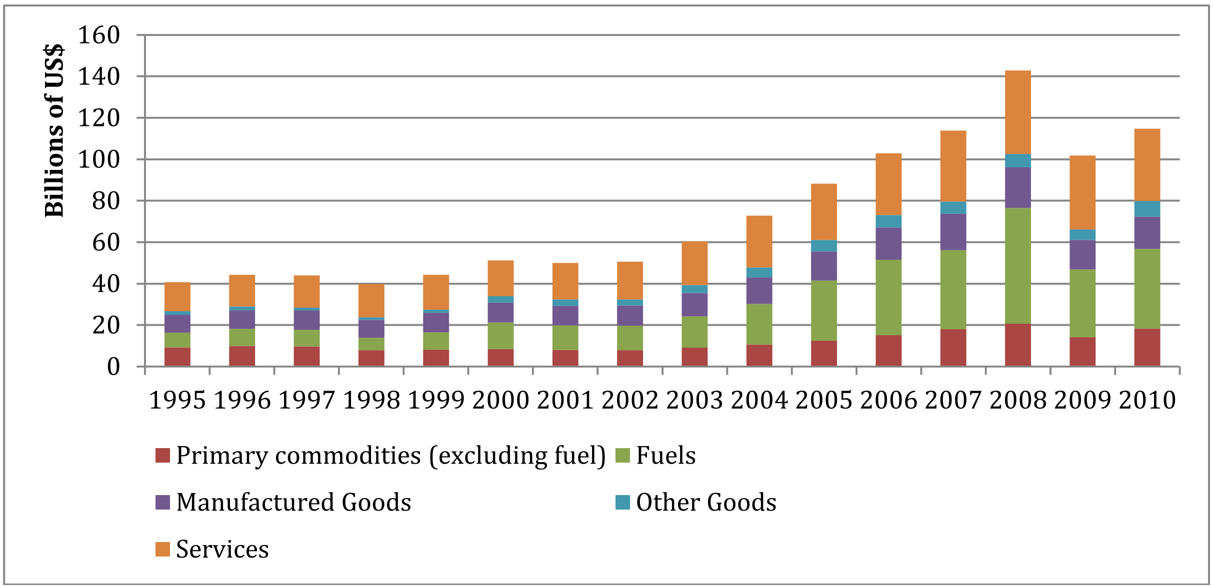


Figure 4: Composition of SVE Exports (1995-2010)



As noted above, LDCs and SVEs share the challenge of high export concentration, and for LDCs in particular, the boom in exports of primary commodities and fuel has led to a rapid increase (Table 4). Export concentration is typically measured by the Herfindahl-Hirschmann index which has values ranging between 0 and 1, where 1 is the most concentrated and indicates that only one product is being exported. For LDCs, export concentration has increased dramatically over the past fifteen years, from 0.22 in 1995 to 0.43 in 2010, while that of SVEs has remained high throughout the period, registering 0.46 in 2010. These levels of concentration are far higher than the developing country average, which was only 0.1 in 1995, and 0.1 in 2010.

Table 4: Export Concentration Index

	1995	2000	2005	2010
LDC Average	0.22	0.33	0.46	0.43
SVE Average	0.43	0.46	0.48	0.46
Developing Country Average	0.09	0.13	0.14	0.12

Source: Compiled from UNCTADstat; Index based on SITC Revision 3 at 3-digit group level

Implications for the Multilateral Trading System

As this section has shown, LDCs and SVEs face particular economic and development challenges. Over recent decades, both LDCs and SVEs have made serious attempts to put in place more liberal trade, industrial and investment regimes to benefit from the process of globalization. While international trade is important to their economies, they each face significant hurdles – albeit some of the challenges faced vary between LDCs and SVEs – in securing potential benefits and protect themselves against trade practices and rules that harm their interests.

These challenges give rise to two sets of measures that need to be taken by the multilateral trading system in order to address asymmetries. First, adaptations need to be made to the substantive content of trade agreements, modifying the rules to take the particular of LDCs and SVEs into account, and providing countries with support to help them meet the high costs of implementing multilateral agreements and to address supply-side constraints so that they can take advantage of trading opportunities. Second, a series of steps need to be taken to ensure that small size and low levels of development do not impede their ability to participate in negotiations and influence outcomes.

For this reason, most LDCs and SVEs have embraced the view that successful integration with the global economy depends on a rule-based international trading system that recognizes and adequately addresses their special development challenges. In 2001, the launch of the Doha Development Agenda promised considerable improvements for LDCs and SVEs, promising enhanced trade and economic growth for them. On these grounds, the past decade has seen LDCs and SVEs become increasingly engaged in multilateral trade talks.

3. LDC and SVE Participation in the Multilateral Trading System

Negotiating Strategies and Tactics: The Growing Role of Coalitions

Unlike some larger states, poor, small and vulnerable states cannot fall back on coercive power tactics to see that their interests are met. Although they can exert influence if they adopt an astute negotiating strategy and use a wide array of tactics, a striking finding from recent research is that many small states do not have a clear negotiating strategy and they rely on a narrow range of tactics (Narlikar 2003, Odell 2006). As a result, they do not use the leverage they do have to the fullest extent (Jones et al 2010).

The Doha Round of WTO negotiations have, nonetheless, been notable for the significant efforts by small and poor countries to boost their engagement. Political cooperation, technical collaboration, and collective advocacy among small and poor developing countries are increasingly popular strategies to leverage what power and potential for influence they do have.[16] In particular, small and poor countries have made far greater use of coalitions by WTO Members than in earlier GATT Rounds, and a number of steps could be taken to further improve their effectiveness.

Key Coalitions for Small and Poor Countries

The LDC and SVE Groups are the focal coalitions for poor and small members of the WTO. The LDC Group comprises the WTO's 32 poorest members and has worked to advance commonly-agreed positions on certain key issues. The effectiveness of the LDC group, like other large and broad coalitions, appears highest when they focus on political statements and advocacy on broad principles, such as the importance of addressing development priorities in the Doha Round. But even where they take a strong position on more specific issues they can also be effective, including on S&D Treatment, duty-free/quota-free market access, and obtaining an extension of the LDC deadline for implementation of the TRIPS Agreement.

The SVE Group has three different sub-groups that examine different issues, one on agriculture (14 members); one on non-agricultural market access (NAMA) (19 members); and one on rules (14 members). The SVE group designates focal point coordinators that follow particular issues and attend issue-specific meetings on their behalf. A clear sign of success of the SVE Group is that they have gained recognition of their special status within the WTO without creating a sub-category (which seemed to be the biggest hurdle in their way when negotiations started). They have also secured special provisions for SVEs in various draft modalities produced during the Doha negotiations.

[16] See, for example, Yu (2008; Page (2003); Patel (2003); Patel (2007); and Rolland (2007).

Some small state negotiators argue that the SVE Group's decision to expand from 'small islands developing states' group into a 'small vulnerable economies' group has undermined its effectiveness. There are concerns that the expansion of the coalition to include non-island states made the meaning of 'smallness' in the context of some non-island states difficult to define and defend; that while the decision to increase group membership can boost political weight within the context of WTO negotiations, where the membership is too extensive, it could be contested by other WTO members; and that the range of competing interests within the group may make concessions from other WTO members to the group more costly.

However the successes of the SVE Group can be attributed at least partly to the flexible definition of the group, which meant that the actual composition of SVE group was different in various negotiating areas. As such, it can be argued that enlarging the group beyond small island states and making the composition flexible allowed the group to get the recognition as well as special and tailored treatment in different negotiating areas.

Table 5. Variation in LDC Participation in Coalitions at the WTO

Country	ACP Group	Africa Group	G-90	G-110	LDCs	G-33	LLDCs	CGTF	C4	Para 6 countries	RAMs	PIF	G-20	G10	SVEs	ASEAN	CARICOM
Angola	X	X	X	X	X												
Bangladesh			X	X	X			X									
Benin	X	X	X	X	X		X		X								
Burkina Faso	X	X	X	X	X		X		X								
Burundi	X	X	X	X	X		X										
Cambodia			X	X	X											X	
Central African Republic	X	X	X	X	X												
Chad	X	X	X	X	X		X		X								
Congo (Democratic Republic)	X	X	X	X	X												
Djibouti	X	X	X	X	X												
Gambia	X	X	X	X	X												
Guinea	X	X	X	X	X												
Guinea Bissau	X	X	X	X	X												
Haiti	X		X	X	X	X											X

Lesotho	X	X	X	X	X		X										
Madagascar	X	X	X	X	X	X											
Malawi	X	X	X	X	X		X										
Maldives			X	X	X												
Mali	X	X	X	X	X		X		X								
Mauritania	X	X	X	X	X												
Mozambique	X	X	X	X	X	X											
Myanmar			X	X	X											X	
Nepal			X	X	X		X										
Niger	X	X	X	X	X		X										
Rwanda	X	X	X	X	X		X	X									
Senegal	X	X	X	X	X	X											
Sierra Leone	X	X	X	X	X												
Solomon Islands	X		X	X	X							X					
Tanzania	X	X	X	X	X	X		X					X				
Togo	X	X	X	X	X												
Uganda	X	X	X	X	X	X	X	X									
Zambia	X	X	X	X	X	X	X	X									

Aside from the LDC Group and SVE Group, small and poor countries have used a number of regional coalitions (such as the African group, the ACP group and CARICOM), broad developing country coalitions such as the G-90 and the G110, as well as other issue-based coalitions such as the Cotton 4 and the G20 in the effort to have their voices heard and interests taken into account (see Table 5).

Although issue-based coalitions can also be an effective vehicle for negotiations, they tend to be under-utilized by small and poor states. The Cotton-4 coalition of four small West African countries is a is notable exception, and their success at propelling the issue of cotton subsidies onto the Doha Round agenda has been well documented.[17] The effort to combine individual efforts to advocate cutting cotton subsidies gave the issue greater political weight than if one country had worked alone. The initiative was also bolstered by successful outreach to garner support from ACP countries, African states and other LDCs, as well as from emerging states such as Argentina, Brazil and India and groups such as the G-20, the G90 and the Cairns Group.

There is no doubt that the pursuit of the cotton case also enabled the countries to learn a great deal about the multilateral trading system. The Cotton Four used the Doha negotiations 'to reinforce their diplomatic presence in Geneva, acquire new negotiation skills, strengthen their own coordination mechanism, and shape their role and place within the negotiation process' (Fairtrade Campaign 2010). In addition, the case of the Cotton Four highlights that for some of the poorest and weakest participants in the trading system, achieving any influence on negotiations, even if only in the agenda-setting stage, may be of very high importance. However, as noted above, beyond political attention, adjustment assistance, and assurances of 'more to come', the 'Cotton 4' countries have not obtained any meaningful reduction in subsidies and that there is no

[17] See, for instance, Fair Trade Campaign (2010).

certainty about the level of ambition that will be achieved in the final Doha deal, if indeed there is one.

Making Coalitions More Effective
An evaluation coalitions involving small states highlights three key areas where steps can be taken to increase their effectiveness (Deere Birkbeck and Harbourd 2011).

First, measures can be taken to improve the internal workings of coalitions. In many cases, greater investment in the working relationships among delegates is needed to ensure smooth intra- and inter-group coordination, particularly given the high turn-over of delegates for some countries. These could be complemented by strengthening internal management, including on principles for representation of coalition members, mechanisms for internal transparency, institutionalized coordination, and selection of leadership.

Second, greater attention needs to be paid to negotiating strategy and tactics, to ensure that coalitions are able to move from establishing their positions to actually influencing negotiations. This in turn will rely on individual coalition members having clearer instructions from their capitals as to what is acceptable or not at the national level. It will often require countries to negotiate and compromise within coalitions in order to develop a position that is firm and credible to others, and which builds in scope for compromise should the need arise. As negotiations move beyond the agenda-setting phase to the negotiation phase, coalitions need to devise concrete negotiating positions with a clear set of guidelines for their representatives on 'plan B' and fall-back positions based on an advance consideration of possible scenarios that might emerge.

Given their resource constraints, a pressing strategic issue for small and poor WTO Members is not just whether to join coalitions, but how to use their participation in coalitions strategically and to ensure that coalitions are tactically successful. Often the two issues of coalition-membership and negotiating tactics are treated as separate but complementary issues. However, negotiating strategy with regard to engagement in coalitions is vitally important as an issue in its own right. Rather than relying only on regional and characteristic-based groupings, countries should give greater strategic consideration to where and how their interests might be served by complementing this engagement with participation in issue-based coalitions, such as the Cotton-4 coalition.

Small and poor states should also reflect on the appropriate relationships between the coalitions of small and poor states, and other issue-based coalitions that may be more powerful, as well as with regional powers. Key considerations are how to ensure that regional priorities, such as those of the African Group as a whole, are properly represented in coalitions such as the G-20 and what kinds of consultations and representation is desired from regional powers, if indeed they are willing and credibly able to provide such representation.

Third, accountability should be strengthened, particularly where there are disparities among the countries within a group in terms of their ability to provide oversight of delegated representatives. Some small states have an explicit strategy of taking on the leadership of groups and coalitions as a way to exert greater influence in negotiations. While deference to those countries with greater expertise and capacity may work to the advantage of the group as a whole, there is always the risk that countries with greater capacity tend to dominate the formulation of the group's agenda in ways that may best advance their own individual interests.

Strengthened accountability requires improved briefings of the selected representatives by coalition members in advance of restricted group meetings as well as clear accountability guidelines for Members selected to represent coalitions, particularly those delegated to attend WTO green room meetings. Groups, whether larger or small, need to be specific about how much responsibility they delegate and representatives need then to hold themselves responsible for not just informing but actively consulting coalition members. Accountability guidelines should seek to ensure that representatives carefully listen to all views beforehand, follow the mandate given by the group, faithfully report back on discussions, and consult with interested members in a timely fashion.

Preparing for Negotiations: Identifying Interests and Strengthening Government Institutions

The use of collective bargaining strategies does not overcome the need for small developing countries to build national capacity for trade *negotiations* and despite increased focus of many small states on trade negotiations, and a number of supporting donor initiatives, small and poor developing countries continue to face a number of constraints in this area, which greatly undermine their effectiveness.[18]

A clearly identified set of trade interests is a prerequisite for influencing negotiations. However, a relatively high proportion of negotiators from small developing countries lack clearly defined priorities for trade negotiations (Jones et al. 2010). Part of the reason is that small states often find it difficult to gauge the impact of particular changes in trade rules on the local economy. While most small states have access to national trade data, they rarely have more detailed economic impact assessments or the analytical capacity to properly assess the trade-offs between different policy options, or to keep up with changes in trade laws and policies among their trading partners.

Weak input from those who stand to lose or gain from trade negotiations, communication breakdowns, and/or a failure or unwillingness on the part of government to listen or incorporate input, also undermine the identification of national trade interests. Even where stakeholders do play a role in determining trade interests, weak communication between capital and missions often leads to inadequate oversight of negotiators from small and poor states, and poses the risk that national interests are not reflected in negotiating positions. Further, in many such states, parliaments play no role in holding trade ministries to account. When strategic direction is missing and accountability weak, the participation of Geneva-based delegates in international trade negotiating processes can become discretionary and ad-hoc.

Low levels of negotiating capacity are often a reflection of the fact that many small developing countries lack a core team of experienced and skilled negotiators that can accumulate and retain knowledge on trade issues. Very few officials work on trade negotiations and there is often a high turnover of staff. Most poor and weak countries have delegations in Geneva of only 2 or 3 professional staff and receive little by way of substantive input and guidance on national interests from their counterparts in capital. The challenges of improving representation in WTO negotiations have proven particularly high for those small and poor countries without permanent missions in Geneva (Nordstrom 2002; Weekes et al 2001).

Weaknesses interest-identification and a lack of technical capacity at the national level feed through to coalitions, undermining their effectiveness. Although there are notable exceptions such as cotton, for the main, LDCs and SVEs have reacted to the agendas set

[18] See Kaukab (2011), CUTS International (2009a, b); Gallagher et. al. (2005); Jones et. al (2010), Halle and Wolfe (2007), and Saner (2010).

by other states, and have been unable to introduce new issues onto the negotiating agenda. As noted above, in some issue areas, small and poor states have been able to secure broad commitments for special and differential treatment, but these have often not materialised. Here small and poor states could have taken a more proactive approach by making concrete proposals on how commitments might be realised in practice, thereby placing pressure other members to follow through (on the provision of preferences in services for instance). In other cases, clear commitments have been made and reneged upon, yet small and poor states have not drawn attention to these gaps. In the area of aid for trade for instance, the need to provide trade adjustment support is explicitly acknowledged and although funds have not been forthcoming, small states and LDCs have not been particularly vocal in raising concerns.

WTO Governance: Challenges to the Participation of Small and Poor Members

While a number of informal and formal changes have been made that improve decision-making processes at the WTO and ensure that developing countries have greater influence and participation, the Doha negotiations have shown that they fall short of what is needed to ensure that small and poor WTO Members can participate effectively in the multilateral trading system.

In terms of the negotiating process, there is greater participation by large developing economies in the inner circle of WTO negotiations, however weak and small countries are often absent, and they cannot not take for granted the support of other developing countries' in advancing their particular interests across the WTO's functions. Further, while the efforts of developing country coalitions have altered the 'atmospherics' of trade negotiations, for many of the poorest and weakest countries they have diminished the appearance but not the reality, of exclusion from the process. Structural power asymmetries remain a significant obstacle for the poorest and weakest WTO Members, which continue to experience significant frustration with the structure and process of WTO negotiations. Indeed, some critics argue that optimism about the rise of coalitions at the WTO is giving unwarranted legitimacy to a negotiating process that remains fundamentally flawed in terms of opportunities for effective representation and participation by small and weak countries, particularly given the realities of their own resource, power and organizational constraints.

At present, the Director-General has considerable flexibility as to who is invited to small group meetings, as do other governments and Chairs that host such meetings. While flexibility is indeed important for the negotiation process and negotiating in smaller numbers can improve efficiency, the result is too often that important decisions are made by large countries negotiating among themselves in smaller groups and on sectoral issues. A major concern of small and poor states is that the system is increasingly divided into two-tiers, where small and poor countries are only engaged on a narrow set of issues, such as discussion of cotton, market access, and S&D, while the broader systemic and regulatory issues that define the multilateral system are negotiated by larger players. A further problem is that, members of relevant coalitions are not always properly informed and briefed on what has occurred.

The process of WTO accession is also problematic for small and poor countries. At present, it places undue demands on developing countries, particularly the least developed. Recent evaluations of the accession process show that it remains strenuous and time-consuming. Several LDCs, including Sudan, Lao PDR, Samoa, Bhutan and Yemen have been negotiating accession for more than a decade. Despite the commitment to simplify and streamline the negotiating process for LDCs, during their recent accessions, Nepal and Cambodia had to complete the same complex steps as non-

LDCs. Although LDCs have been given some flexibilities, particularly in technically complex areas such as intellectual property, in the more traditional areas of trade in goods and services, commitments have been more onerous than incumbent LDC members and even some developing country members (UNCTAD 2010).

Ensuring that larger trading partners adhere to their commitments under international trade agreements is a further challenge for small and poor states. LDCs and SVEs often face acute shortages of legal capacity, which reduces their ability to utilise international institutions including the WTO's Dispute Settlement Mechanism. Moreover, even if LDCs are able to mount and win a case, they have few prospects for retaliation or cross-retaliation. While several WTO decisions have authorized developing countries to cross-retaliate (such as by reducing their commitment to protecting intellectual property rights held by nationals of the offending country), except in very specific cases, the deterrent effects of potential threats to development assistance and fears of informal political or trade retaliation limit the feasibility of small countries using either retaliation or cross retaliation.

A further area of concern is that negotiators from small developing countries often perceive themselves to be operating under a high level of threat from large states, reducing their expectations of influence (Jones et al 2010). This includes fears of possible trade and aid reprisals, as well as of intimidation in the negotiating room. In the context of WTO, research suggests that when the coalitions of small and poor WTO members become vocal, effective, or develop concrete positions, the major players frequently use their superior market and political power to make individual coalition members bilateral concessions on other trade, development or political issues. Such pressures, whether overt or implied, can, in turn can undermine the cohesion of developing country coalitions, sometimes prompting countries to change position or defect from groups. Importantly, such external pressures ultimately may work against major partners, making it harder to achieve the broader political consensus needed at the WTO and undermining the legitimacy of the institution and its processes.

4. Agenda for the Ministerial Conference and beyond

This section assesses the text of the 'Elements for Political Guidance' in the three areas where ministers are expected to focus at the forthcoming Ministerial Conference, and proposes some steps that could still be taken to further the interests of poor, small and vulnerable countries. Notably, the trade and development agenda for SVEs, SSA countries and LDCs is broad and has many components beyond those likely to be discussed at this Ministerial Conference. Here, however, we focus on addressing the text at hand and key priorities on issues most likely to arise at the Ministerial.

Strengthening and improving the functioning of the WTO

The 'Elements for Political Guidance' text calls for improving and strengthening the functioning of the WTO. It does not, however, suggest any process for such efforts. Nor is there any mention of doing so in ways that respond to the particular needs of its weakest members. If proposed discussions on the WTO's functioning proceed in ways that do not explicitly tackle the particular challenges facing the poorest, smallest and most vulnerable countries, they risk reinforcing the imbalances of the past.

A core priority in this respect concerns the WTO's negotiating function. Promises of greater inclusiveness and transparency in WTO negotiations are often made, but notoriously difficult to fulfil.

On a positive note, the fact that there are some outcomes for the WTO's weakest members, particularly LDCs, in the 'Elements for Political Guidance' reflects their increasing engagement in negotiations. Indeed, over the past decade, poor, small and vulnerable economies have projected their voice more assertively, acquired more visibility, and drawn more attention to their concerns, particularly through coalition-building and more specific articulation of demands. This is also reflected in the fact that many draft Doha negotiating texts recognise the need to take account of the diversity in the needs and capabilities of members, specifically through differentiated proposed treatment of various groups of countries. However, the influence of the WTO's weakest members on the outcome of negotiations continues to be impeded by a lack of clarity on the part of many such countries about their negotiating interests, underlying institutional weaknesses, and by several constraining characteristics of WTO negotiation processes. Too often, poor, small and vulnerable countries are marginalised while the 'big players' in global trade negotiations spar.

The issue of LDC accessions provides a case in point. Although WTO members adopted guidelines on LDC accessions in 2002 with the aim of expediting their accession process and making it less onerous, in practice, progress over the past nine years has been uneven. Amidst demands for improvements in the guidelines, WTO members decided in recent weeks to call for an agreement by July 2012 on benchmarks that could help guide LDC accessions – and the decision in this respect has been forwarded to the Ministerial Conference (see WTO/COMTD/LDC/19). While there is value in the notion of such benchmarks to guide LDCs' terms of accession, the details remain a topic for negotiation and thus their contribution to greater fairness in accession outcomes remains to be seen. Moreover, the challenges of promoting greater clarity and speed in the accession process remain.

On other WTO functions, the 'Elements for Political Guidance' rightly emphasise the importance of monitoring of trade commitments in the context of financial crisis and improving the Trade Policy Review (TPR) process. At present, the poorest countries participate only minimally in discussions of the performance of other WTO members and, even when their own country is discussed, many governments do not participate at a high level. The focus of the TPR process on compliance does too little to help countries explore how they can better take advantage of the multilateral trading system, identify what additional support they need, or reinforce development-oriented national trade policy-making. Monitoring could also be used to help ensure implementation of development commitments by developed countries, both in terms of trade rules and Aid for Trade. A positive step is that Aid for Trade is now being included in the TPR process for a few LDCs on a pilot basis.

In the area of dispute settlement, poor and small WTO members face well-documented challenges of ensuring that larger trading partners adhere to their commitments under WTO agreements. LDCs, African countries and SVEs often face acute shortages of legal capacity, which in turn reduces their ability to use the WTO's Dispute Settlement Mechanism. They lack the resources to regularly survey foreign markets for violations of WTO rules that harm their interests and to identify disputes they could beneficially pursue. Moreover, even if LDCs and SVEs are able to mount and win a case, they have few prospects for retaliation or cross-retaliation. Except in very specific cases, the deterrent effects of potential threats to development assistance and fears of informal political or trade retaliation limit the feasibility of small countries using either retaliation or cross-retaliation. At present, assistance focuses on explaining the system (for example, by the WTO Secretariat) or to helping countries litigate (for example, the Advisory Centre on WTO Law) but little is done to help countries address pre- or postlitigation constraints or associated perceptions and fears with regard to political pressure.

At the Ministerial Conference and beyond, governments should: (i) define a political process that engages ministers in identifying key areas for institutional improvement and strengthening, and for taking action in ways that specifically prioritise attention to the needs of the WTO's smallest and poorest members; and (ii) complement the proposed 2012 agreement on benchmarks for LDC accession with specific decisions that simplify accession procedures for LDCs, boost transparency, and limit the scope for excessive demands of LDCs. Discussion of benchmarks for LDC accessions should not include benchmarks for commitments on market access for goods and services, but also in other areas, such as TRIPS, to ensure accession countries are not pushed to go beyond the obligations of other LDCs.

In so doing, governments should ensure attention to boosting the 'policy dialogue' function of the WTO on trade matters beyond WTO Agreements, whether through regular committees, the General Council, ministerial conferences, co-operation with other international organisations, or additional new mechanisms. The debate over how to address 'new issues' at the WTO highlights that such venues will prove increasingly important for keeping the WTO dynamic and relevant. Moreover, it highlights the question of 'who decides' which issues warrant attention from the membership, in what form (i.e. as topics of negotiation, information-sharing or general discussion) and how the WTO's weakest members can ensure they have a say.

Finally, members should also consider options for adding an assessment or evaluation function to the WTO system to review the effects of actual and proposed trade rules against objectives such as sustainable development and employment, and to identify national trade-related hurdles that impede their realisation. Such a function could take place under the auspices of the WTO Committee on Trade and Development, the General Council or the Ministerial Conference. Given political concerns about the potential for links to dispute settlement proceedings, such a function should be separate to the peer review/transparency function of the TPR. To ensure independence and impartiality, it could be implemented for member states by a network of independent research institutions or think tanks.

Trade and development

The 'Elements for Political Guidance' rightly reaffirm the importance of progress on trade and development at the WTO both within and beyond the context of the DDA. However, the document makes too few concrete improvements on already existing commitments and promises.

In the 2001 Doha Ministerial Declaration, WTO members confirmed that the open, multilateral trading system and sustainable development 'can and must be mutually supportive' and made development the stated purpose of the Doha Round. Indeed, the 2001 Ministerial Declaration is replete with references to development. It makes a special reference to the vulnerabilities of LDCs and commits itself to addressing their marginalisation in international trade and to improving their effective participation in the multilateral trading system. It also recognises that 'small and vulnerable economies' (SVEs) need support to improve their integration into the international trading system.

Over the past decade, there have been several important developments and decisions in line with these objectives. These include, among others, the amendment of the TRIPS Agreement in a 2005 Decision related to flexibilities dealing with public health issues; a Hong Kong Ministerial decision to provide duty-free and quota-free (DFQF) market access to LDCs; a 2006 agreement to create a Transparency Mechanism for regional trade agreements (RTAs); the inclusion of Aid for Trade (AfT) discussions in multilateral trade talks and a mechanism for monitoring AfT flows; and the adoption of special services modalities for LDCs in 2003 and support for their further elaboration.

Despite the significance of the above, a close look at the current state of play reveals that ten long years of negotiations have still not delivered much in concrete terms in the areas of most decisive interest to poor, small and vulnerable countries. For instance, a 2005 agreement to ensure elimination of all forms of agricultural export subsidies by the end of 2013 remains dependent on the conclusion of the DDA negotiations. Similarly, commitments for a longer time-frame to phase out TRIMS-inconsistent trade-related investment measures are linked to broader progress in the Round. The decision on DFQF market access for LDCs has yielded improvements in market access offers by several countries but critical shortcomings remain (see discussion under DDA below).

The cotton issue provides a further example. A Committee on Cotton was established in 2004 to look at the trade distorting policies affecting the comparative advantage of four of the WTO's poorest members, namely, Benin, Burkina Faso, Chad and Mali. The expectation was that the reduction of domestic support for cotton in developed countries would be advanced more ambitiously than the general reduction of subsidies as part of the DDA Agriculture negotiations. While it is true that attention to development assistance for these countries has increased since 2004, WTO members need to offer far more than further periodic reports on such development aspects of cotton and 'ongoing dialogue and engagement'. As the DDA negotiations now have the scope for issues to be concluded at a variable pace (see below), WTO members should offer greater specificity on how precisely meaningful reductions in domestic cotton subsidies will be given the priority they deserve in the agricultural negotiations.

On the issue of AfT, there is evidence that support for trade facilitation has contributed to lowering the cost of trading, and enhancing the competitiveness of many LDCs, SVEs and Sub-Saharan African countries. However, the contribution of AfT to improving the productive capacity and structural transformation needed to benefit from the international trading system is less clear. For countries where exports are highly concentrated around a few preference-dependent product lines, any loss of favourable treatment from, for instance, preference erosion due to multilateral or regional trade liberalisation, can have disastrous consequences. Although AfT is a potential route to address this issue, until now relatively few AfT resources have been used to help countries with such trade-related adjustments. Many countries also still lack adequate support for strategic engagement in negotiations and dispute settlement (as discussed below) and to meet proliferating non-tariff barriers in export markets. In addition, there is room for greater transparency and clarity in terms of how countries can best access available AfT resources and to make greater use of regional economic communities in their distribution. A further issue for governments to address is how the AfT system can help beneficiaries to best use available resources to their advantage - for instance, helping them to better assess their needs, formulate effective projects, negotiate with donors, utilise resources productively, ensure regional coordination, and co-ordinate among ministries and with stakeholders.

On Special and Differential Treatment, the 'Elements for Political Guidance' state only agreement on expediting work in the context of the DDA. While there are 28 Agreement-specific proposals already on the table in this respect (in Annex C of the draft Cancun text), many of the poorest countries remain unconvinced these will provide meaningful benefits. Governments need to agree on a specific timeline by which they will finalise proposals for making a broader range of S&D proposals more precise, effective and operational and on the establishment of an S&D Monitoring Mechanism.

Doha Development Agenda

In the 'Elements for Political Guidance', governments concede that no breakthroughs needed to push the Doha Round to a conclusion will occur at the 2011 Ministerial. Instead, they note agreement on continuing to pursuing the Doha mandate, building on the work undertaken thus far, and maintaining a development focus. In an important departure from current practice, the document states that governments will move beyond the single undertaking, and instead pursue 'different negotiating approaches while respecting the principles of transparency and inclusiveness'.

For the poor and vulnerable countries, the 'Elements for Political Guidance' on the DDA is disappointing on the substance and the process. While it emphasises the importance of addressing development, it provides no concrete commitments as to how and when this will be achieved.

On the process for moving the DDA negotiations forward, the 'Elements for Political Guidance' propose advancing negotiations in those areas where progress can be achieved such that members might 'reach provisional or definitive agreements based on consensus earlier than the full conclusion of the single undertaking'. Given well-documented problems of inadequate inclusiveness in WTO negotiations to date, there are clear grounds for scepticism that promises of inclusiveness in the context of new approaches will translate into reality. While the prospect of variable speed negotiations offers some opportunities (for example, reopens the possibility of completing an 'Early Harvest' for LDCs), the proposal for new negotiating approaches also poses significant risks. The text is ambiguous on how new negotiating approaches can be pursued while retaining the principle of the single undertaking. Further, the 'Elements for Political Guidance' offer no more concrete explanations or proposals as to how governments plan to achieve the delicate balance between inclusiveness, transparency, and openness on the one hand, and greater efficiency in producing outcomes from negotiations, on the other. A key scenario to avoid is one where small and poor countries are only engaged on a narrow set of issues, such as discussion of cotton, market access, and S&D, while the broader systemic and regulatory issues that define the multilateral system are negotiated exclusively by larger players.

With regard to the substance of the 'Elements for Political Guidance' on the Doha Development Agenda, the text offers little by way of specifics. While there have been some commitments reached in the course of negotiations that offer some important potential benefits for the WTO's weakest members, most of these remain as yet unrealised in practice, in many instances because commitments require the conclusion of the Round for their formalisation and implementation.

In the lead-up to the Ministerial discussion, for instance, the push for an 'Early Harvest' of decisions that would favour LDCs (focused on more Duty Free Quota Free Market Access, a decision on domestic subsidies for cotton, and a Services Waiver) was abandoned. While some important commitments for LDCs were nonetheless secured (for example, Agreement on a Services Waiver discussed below, and a commitment to addressing their needs in the DDA as a priority), the hard reality is that many of the details on more concrete development outcomes remain postponed for future negotiation and implementation.

The fact that the 'Elements for Political Guidance' make only passing reference to the important issue of Duty Free Quota Free (DFQF) access for LDCs highlights the mixed progress. At the outset of the Round, LDCs had hoped to receive complete DFQF product coverage in all developed countries. However, the Hong Kong Ministerial provided such access for only 97 per cent of tariff lines ‘by 2008 or by the start of the implementation of the results of the DDA’ and urged developing countries ‘in a position to do so’, to extend similar preferential treatment to LDC products. Subsequently, many initiatives have been marked by omissions, exceptions and stringent rules of origin that limit their impact. While negotiators from some LDCs note multilateral discussions of full DFQF access has yielded new bilateral offers from both developed and emerging countries, and prompted some efforts to simplify rules of origin requirements, the quest for 100 percent DFQF commitments at the WTO remain unfulfilled.

In services, the category of GATS negotiations that has made the least progress in terms of commitments by WTO members is the one that holds the greatest promise for small and poor countries, namely Mode 4 (temporary movement of natural persons). In the lead-up to the 2011 WTO Ministerial, an agreement in principle was reached on a 15-year waiver that effectively authorises discrimination in favour of LDC services providers. The decision, which will be forwarded to the Ministerial for approval, includes a proviso that the definition of services suppliers will include individuals (which may be useful for LDCs in future discussions of Mode 4). The prospective existence of such a waiver will not, however, automatically improve LDCs' capacity to supply services nor enhance developed countries' willingness to expand Mode 4 market access or to address the barriers that their domestic regulations can pose to LDC services providers. In short, while the Services Waiver is an important step forward, much remains to be negotiated to deliver concrete outcomes.

In terms of the DDA negotiations, ministers should: (a) specify exactly how they agree to ‘fast track’ decision-making on key priority issues for the WTO’s weakest members, such as agreement on a Special Safeguard Mechanism in agriculture, reduction of domestic subsidies on cotton, progress in Mode 4 services discussions, and S&D provisions and measures in agricultural and non-agricultural market access negotiations that would minimise the negative effects of preference erosion; and (b) set a concrete time-frame for the implementation of DFQF with 100 per cent coverage.

Conclusion

The forthcoming Ministerial Conference is an opportunity that governments can seize to boost the responsiveness of the WTO to its poorest and most vulnerable members. Key achievable outcomes and commitments can be made in each of the three areas where ministers have been asked to provide political guidance; these would in turn set the stage for work in the next biennium. The Ministerial is also a time for ministers from LDCs, SVEs and Sub-Saharan African countries to clearly articulate their priorities and to take measures among themselves so they can bolster their engagement.

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[19] Paper Prepared by Mohammad A. Razzaque, Commonwealth Secretariat. The views expressed do not necessarily reflect those of the Commonwealth Secretariat or the Organisation of the La Francophonie.

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