

Emerging trade politics: the continuous pendulum from multilateralism to asymmetric trade negotiations

Políticas de comércio emergentes: o pêndulo contínuo do multilateralismo às negociações assimétricas

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ABSTRACT

In this essay we analyze the challenges of asymmetric trade agreements at a time when Mercosur and Ecuador are opening negotiations with the European Union. How can developing countries manage the terms of integration into the global economy? How do different sets of external pressures place constraints on national development strategies? What offsetting mechanisms have emerged? We discuss the dynamics of trade negotiation processes in multilateral and bilateral fora to show to what extent they reflect and reproduce entrenched power asymmetries. Moreover, we explore the opportunities and constraints available for developing country governments to offset the unequal power structure that characterise international trade negotiation processes. It is argued that while changes in the contemporary international political economy do not override historically entrenched asymmetries, they nonetheless open up opportunities to develop new approaches of engagement in trade negotiations that can mitigate and at times even overcome power asymmetries.

Keywords: Trade negotiations. Developing countries. Asymmetries. World Trade Organization, free trade agreements.

RESUMO

Neste ensaio, analisamos os desafios dos acordos comerciais assimétricos num momento em que o Mercosul e o Equador estão abrindo negociações com a União Europeia. Como podem os países em desenvolvimento gerir os termos de integração na economia global? Como diferentes pressões externas constroem as estratégias de desenvolvimento nacionais? Discutimos a dinâmica dos processos de negociação comercial em fóruns multilaterais e bilaterais para mostrar até que ponto eles refletem e reproduzem assimetrias de poder. Além disso, vamos explorar as oportunidades e restrições disponíveis para os governos dos países em desenvolvimento para compensar estruturas de poder desiguais que caracterizam os processos de negociação de comércio internacional. Argumenta-se que, enquanto as mudanças na economia política internacional contemporânea não substituem assimetrias historicamente arraigadas, elas ainda assim abrem oportunidades para o desenvolvimento de novas abordagens de envolvimento nas negociações comerciais que podem atenuar e às vezes até mesmo superar as assimetrias de poder.

Palavras-chave: Negociações comerciais. Países em desenvolvimento. Assimetrias. Organização Mundial do Comércio, os acordos de livre comércio.

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Introduction

The growing standing of emerging economies from the South in the world economy is redefining the dynamics of international trade governance, a field that has traditionally been controlled by northern industrial countries. The World Trade Organization (WTO) Ministerial Summit of Cancun in 2003 was already indicative of this new scenario. South coalitions showed that collectively they could muster the power to block consensus, endangering the underlying structure of power in the WTO. Thereafter, the demise of the Free Trade Area of the Americas (FTAA) project in 2005 mainly due to the opposition of Venezuela, Bolivia, Ecuador and the MERCOSUR countries to such a US-promoted project added to this new context. Many developments have taken place since then however. The proliferation of North-South bilateral trade agreements alongside the stagnation of WTO negotiations introduces new challenges for emerging countries. In Latin America, several countries that contributed to the demise of the FTAA have reconsidered free trade agreements with the European Union (EU) (QUILICONI, 2013). In this essay we analyse the challenges of such trade agreements and the risks that they pose in terms of asymmetric negotiations. These are not mere technical questions.

Trade always raises the old question of who gets what. Despite pretensions to 'global' scope and relevance, the multilateral trade system covered a highly specific and asymmetric set of rules which served the interests of global business. The extent of 'global' applicability of its central rules and the fairness of processes was always open to question. The evolution of global trade regulation must be seen as the result of a history of political bargains among states of differing power capabilities in which each bargain struck put in place a new layer of regulation that creates economic opportunities for global interests while narrowing or offering less opportunities for others in both industrialized and developing countries.

The trading system was composed of rules and institutions which reflect the broader US-led arrangement of strategic alliances in a permanent tension with the East West and North-South binary axis. The United States, with its willing quasi-hegemonic allies in Western Europe, promoted and supported the General Agreement on Tariffs and Trade (GATT) because under the GATT's consensus rule its own power was maximised. GATT members operated on the basis of a negative consensus rule, meaning that unless a given member objected to a decision consensus was assumed. Powerful players like the US or the EU could better absorb the costs of denying consensus, more credibly threaten objecting to a consensus and find more ways to exert pressure in order to reach consensus.

When the WTO was born, neoliberalism heralded a new era of rule of law. Yet, consensus became harder to reach amongst the ever growing number of entrants with less accepting views and interests of their own. The diversity of goals and interests currently at stake and the resulting newly forged crisscrossing alliances changed the character of the institution. This was especially the case after the Cancun Ministerial in 2003 when the South showed that collectively they could muster the power to

block consensus, endangering the underlying structure of power in the WTO. To be sure, negotiations were de-railed, ploughed on for another decade and were finally closed in December 2013 under the new leadership of Roberto Azevedo. But the result is a mere stopgap, described as Doha light decaffeinated.

The growth of bilateral trade agreements reflects the desperate need of major developed countries to pre-empt their loss of control in multilateral trade negotiations. At a time when they have lost their ability to shape the WTO, bilateral trade negotiations helps maximise the asymmetry of the US or EU vis-à-vis smaller countries. The network of bilateral agreements has spread swiftly. With the world's major trading powers playing a trade game based on securing preferences, other trading nations see little option but to follow suit and secure preferential deals for themselves. The upshot was a dramatic rise in the number of North-South regional trade agreements which we assert to be asymmetrical in nature.

In International Relations asymmetry is a state in which there is a disproportionate correspondence between parts. Though asymmetries in international relations are rampant and varied, we are interested in circumstances of significant disparity between contending parties where there is no consideration of such disparity or a fair chance of matching up forces in the process. Interdependent economic relations may be relatively asymmetrical from time to time. However, in these circumstances the interactions, and its outcomes, have a chance of being equally distributed and both parties are more or less equally vulnerable to the positive and the negative effects or threats of eventual discontinuations. In contrast, the nature of asymmetry when they are crystallised in trade agreements is *absolute* rather than relative. As a result of such asymmetry, free trade agreements (FTAs) cover not only the reduction or elimination of tariffs and other non-tariff barriers on the trade of goods and services, but they also cover broader elements of interest to developed countries such as investment rules, intellectual property rights and so on, that had become difficult to obtain in the WTO game. Far from being the confused 'spaghetti bowl' described by some observers, bilateral FTAs are the manifestation of coherent geopolitical strategies of the major trading countries.

Taking clear issue with the number of studies that assume that there ever was a GATT-era *belle époque* rule of law, we discuss the place of power asymmetries in current multilateral and bilateral trade regimes. Differences of national strength, capabilities and competence are what the study and practice of international relations is almost entirely about. But circumstances are not fixed. Since they change we need to see how the range of alternative strategies is available for developing countries affected but asymmetries in the trade system and processes. How can developing countries manage the terms of integration into the global economy? How do different sets of external pressures place constraints on national development strategies? What offsetting mechanisms have emerged? These questions are the centre of current challenges with deep implications for future development prospects.

Asymmetry must not be viewed as static. Form and content suffer tortuous twists and remain in constant flux. In the first part, we discuss

the dynamics of trade negotiation processes in multilateral and bilateral fora to show to what extent they reflect, as well as reproduce, entrenched power asymmetries. These asymmetries are revealed in the unequal conditions affecting the participation and representation of countries' interests in trade negotiations; the prevalence of reciprocity over dispensations of special and differential treatment; the recurrent bias of the agenda-setting; and in the choice of trade fora. The second section explores the opportunities and constraints available to governments to offset the unequal power structure at the heart of trade negotiation processes. It identifies some of the main elements which countries can seize on to increase bargaining power in a creative process that can affect the outcome of a process of permanent and constant negotiations. To this end, we have to revert to a micropolitical approach in order to examine the conditions of asymmetry, whereby the loss of power to do certain things is compensated by seeking power with kindred spirits, collective forces and alternative partners. The difference between power *to* and power *with* is drawn from feminist frameworks of power. Power *to* refers to the capacity to take action. Power *with* refers to cooperation with others to solve problems and attain goals. It addresses capacity building, social networks and organisational strength. The underlying notion is that of "I cannot, but we can" (WONG, 2003). Yet balancing cannot take place without mustering power and increased bargaining competence. Open confrontation and strategic influence are two broad strategies to confront power asymmetry. We leave aside defection and opt out strategies to concentrate on how countries act in alliances of convenience to address vulnerabilities and strategically influence the process in which they have chosen to persist.

Asymmetries in processes

Participation: For a good 40 years after World War II, most developing countries did not perceive the GATT as a friendly or fruitful institution in which to promote their interests. Inward-oriented industrialisation and nationalist ideologies of development prevailed, turning trade relations into the crux of the North-South debate. Involvement in the GATT reflected these preferences: developing countries adopted a 'passive' or 'defensive' attitude, refraining from significantly engaging in the exchange of reciprocal concessions. Moreover, many developing countries were not members, and among those that were, many failed to maintain official representation in Geneva. The result was a situation in which developing countries had negligible obligations and liberalisation in sectors of export interest to them was disproportionately small (TUSSIE, 1987).

The passage from the GATT to the WTO represented a major turning point in the participation and representation of developing countries, clearly showing at the time a new willingness to take on full-fledged commitments, come out of the fringes and shed their mostly defensive pre-Uruguay Round position. Their strategic dilemma turned from expanding their rights to free themselves from prevailing rules to choosing an appropriate strategy of participation, focusing on what commit-

ments to make and on how to micromanage a bloated trade agenda. The challenges of inclusion soon proved to be highly demanding. Developing countries learned that greater participation did not translate automatically into leverage, as they found it difficult to decisively influence the process of agenda setting and to shape the final outcome of negotiations.

As in most earlier rounds, decision-making in the Uruguay Round negotiations was ‘pyramidal’ in structure in the sense that the major trading partners (US, EU and Japan) had implicit, yet effective, veto power over the negotiation’s overall outcome. Formal equality in the WTO, in which every country has an equal vote, does not translate in a democratic decision-making process. Decisions over key issues of the agenda are decided exclusively by the few major industrial countries in the so-called Green Room process at and before WTO Ministerial Conferences. The ‘green room’ is the name given to the traditional method used in the GATT/WTO to expedite consultations; it involves the Director General and a small group of members, numbering about 20 including the major trading countries, both industrial and developing, as well as a number of other countries that are deemed to be representative. Once a narrowed down consensus is obtained, agreements have been passed on to exclude governments for their approval or rejection, thus legitimating negative ‘consent’ (KUMAR, 2007, p. 5; UNITED NATIONS DEVELOPMENT PROGRAMME, 2001, p. 13–14; SMYTHE, 2007).

The composition of the green room tended to vary by issue, but there is no objective basis for participation. This procedure worked when most developing countries were quiet bystanders. After the significant concessions made in the Uruguay Round, developing countries felt entitled to be included in the green-room process, and on several occasions they submitted declarations stating that they would not adhere to any consensus reached without their effective participation. The turning point came at the Cancun ministerial meeting in 2003. Coalitions of developing countries on agriculture, food security, small and vulnerable economies sprang up and derailed negotiations. The force of organisation and contestation reduced northern domination of the multilateral agenda and hence reduced the value of the new WTO to older established interests.

Constraints to participation and representation in trade negotiations are also derived from limited capacity of some state bureaucracies to follow complex negotiations with often limited financial resources. With the incorporation of the ‘new issues’ (services, intellectual property rights and investment measures) at the Uruguay Round, trade negotiations shifted the policy focus from border barriers – as it had been under the GATT – to domestic regulatory and legal systems. This introduced great complexity and technical sophistication to the negotiations, making knowledge a strategic and highly valuable asset. Poor countries with limited access to this kind of technical information became invariably disadvantaged in comparison to industrial countries with sufficient resources to produce information to assist negotiators. Countries with insufficient resources fell into a “knowledge trap” (OSTRY, 2007, p. 28) which, in turn, further reinforced existing asymmetries in the trading system.

This limitation is even worse in cases of countries that do not have a Mission in Geneva where the WTO is headquartered, or others that are understaffed or unable to adequately follow the discussions and the negotiations. This invariably affects their capacity to participate effectively in the WTO system – to take advantage of their rights, defend their interests and even meet their obligations. In this regard, the Uruguay Round imbued the multilateral trading system with a structural asymmetry that served to disadvantage poor developing states.

Weak bureaucracies and limited resources is also an impediment for poor countries to use the WTO Dispute Settlement System. This mechanism was introduced to constrain power and so protect weak states from the bullying and arbitrariness of the strong. At least in principle, this creates incentives for developing countries to participate in the multilateral trade system. It also increases their bargaining power in multilateral negotiations, allowing them to obtain greater concessions from more powerful states than in bilateral negotiations (DAVIS, 2006). However, in practice developing countries are restricted in their use of the dispute settlement mechanism due to the high costs involved in taking retaliatory action against an erring country (UNITED NATIONS DEVELOPMENT PROGRAMME, 2001, p. 12). The ‘juridification’ of the trade process has made access to expensive legal services, which in most cases poor countries cannot afford. This creates an asymmetric situation, since when large countries “breach the agreed rules at the expense of the small and ill-endowed, the cost of a legal challenge may exceed the financial capacities of the latter (or, in some cases, even the relevant trade losses)” (HELLEINER, 2002, p. 327).

In addition to financial limitations of developing countries to use the dispute settlement system, there are also political costs which can often act as effective deterrents. The mere threat of anti-dumping action, for instance, is enough to discourage small exporters without the where-withal to launch a legal defence. Pressure used to deter countries from dissonant behaviour includes threats to withdraw food aid or market access benefits under the Generalised System of Preferences (GSP) or, as in the case of Bolivia and Ecuador, from the Andean Trade Promotion (ATP) and Drug Eradication Act (DEA).

Unequal conditions are even greater in bilateral or inter-regional trade processes than in multilateral processes. The lack of technical capacity has been a key factor in weakening the positions of governments in the negotiations of preferential FTAs with the US or the EU – particularly in relation to negotiations of intellectual property rights (DIAZ, 2008). From the US and EU perspective, the opportunity of obtaining a WTO-Plus regulatory setting for intellectual property rights, investments and services provision holds out obvious advantages to push special interests. In this regard, bilateral trade agreements are not even subject to a minimal degree of international consensus to smooth problems of governance and compliance.

Agenda-setting, issue selection and selective liberalisation: Asymmetries are most evident in the capacity of industrial countries to select issues and turn them into negotiable propositions. The rules for knowl-

edge are a paradigmatic example. Since the inception of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), intellectual property has been harmonised and protected in almost every WTO member state. The rationale for regulating intellectual property at the WTO was made to look plausible: only trade-related aspects of intellectual property would be regulated under the aegis of the WTO, but determining what is trade-related has proven to be a Pandora's box (TUSSIE and SAGUIER, 2011).

Some authors even question whether intellectual property is a good that can be linked to market freedom because, paradoxically, the very essence of intellectual property is a state-granted monopoly right that excludes competition albeit for a limited period of time. As Stiglitz points out:

Intellectual property does not really belong in a trade agreement. Trade agreements are supposed to liberalise the movements of goods and services across borders. The TRIPs ... was concerned with *restricting* the movement of knowledge across borders (STIGLITZ *apud* TUSSIE and SAGUIER, 2011).

Regulating intellectual property has had a major impact, not only on external transfers to holders of patents, fiscal outlays to implement national patent regulations, but also on important public policy sectors dealing with education, freedom of expression, cultural rights, access to medicines, food safety and so on and so forth.

Telling evidence is also found with regard to the selectivity of agricultural trade. Freer trade in a greater number of areas would have a beneficial impact not only on markets but also on rural livelihoods and export earnings. Cotton, for one, employs more than ten million people in West Africa. It plays an important role in alleviating poverty involving more than thirty countries. The US not only make access selective but also deploy subsidies that drive world prices down, making it next to impossible for developing countries to penetrate the US market and compete with American cotton in third markets. In this regard, Burkina Faso, Mali, Chad and Benin launched the so-called Cotton Initiative at the WTO, calling for the subsidies to be eliminated and for compensation to be paid to damaged countries while the subsidies remain.

The more general point, however, is that developed countries are allowed to continue to spend large amounts on export subsidies, while developing countries shed tariff layer after tariff layer. One type of protection is a central concern while the other plagued by conceptual and procedural loopholes, not to mention implementation problems. The agreement on subsidies, for example, allows the use of subsidies that are widespread and available in rich countries (research and development, fiscal transfers to backward areas, for protection of the environment and labour retraining) but deems as out of bounds other subsidies which may be necessary in developing country conditions. Perhaps the most controversial of these is the one related to export financing which is carried over to the WTO from a long standing agreement at the Organisation for Economic Cooperation and Development (OECD).

The OECD oversees an arrangement among its members that governs the conditions and rates under which export financing may be of-

ferred. The agreement sets minimum premium rates (also called exposure fees) for country and sovereign risks. The WTO list of prohibited export credit subsidies tracks the OECD Arrangement; under the single undertaking package of the Uruguay Round these commitments were extended to all WTO members, which had not taken part of the OECD negotiation and, moreover, faced quite different credit markets – and hence interest rates for public financing. Within the WTO subsidies agreement, an illustrative list of export subsidies makes reference to the OECD Arrangement, indicating that “...if in practice a Member applies the interest rates provisions ... an export credit practice which is in conformity with those provisions shall not be considered an export subsidy prohibited by this Agreement.” In other words, if a country complies with these provisions (even if there is a subsidy element) it is given a safe haven in terms of being ‘WTO-proof’. This haven is available only to OECD participants. Suddenly 138 WTO members had obligations – item (k) – that had been agreed elsewhere. The WTO Secretariat, as a result, requested observer status at OECD Arrangement meetings to gain a greater insight into the implications of what had been signed in the OECD, but individual countries still came under the loop (PALACIOS, 2003). The Brazilian Foreign Minister, Celso Lafer, stated at the Doha Ministerial Conference of 2001:

It is easy to perceive that there is a large measure of special and differential treatment in favour of the developed countries. Such is the case, for instance, of the Agreement on Subsidies and Countervailing Duties which grants a special exemption to members of the OECD Consensus with regard to rules on export subsidies that other Members of the WTO must comply with.³

3. 10 November, 2001, Statement by Ambassador Celso Lafer, WT/MIN(01)/ST/12, www.wto.org.

Forum selection - free trade agreements as the institutionalisation of asymmetries: The ritual of global negotiations provides a useful instrument in the global legitimisation struggle because it can be carried out in universalistic terms and in the language of common interests. When this fails, the upper hand will seek adherence or acquiescence by other means and move elsewhere in an encircling manner, zigzagging, dividing, apportioning. The contestation the Doha Round drove industrial countries to pursue the negotiation of bilateral and inter-regional integration projects with developing countries. Most of the divisive issues of the trade agenda which have faced stiff opposition from developing countries are now being negotiated – and implemented – through bilateral tracks. These issues include greater levels of intellectual property protection than what has already been agreed multilaterally under TRIPs, rules in investment, services, liberalisation of government procurement, as well as labour and environmental protection rules. They all spearhead an agenda of ‘deep integration’ considering they entail the obligation of countries to harmonise legislation in line with unilateral set benchmarks. In this respect, preferential agreements have served to open up new markets for industrial economies, to lock-in market liberalisation reforms in developing countries, as well as to cement new levels of regulation, i.e. one-sided reciprocity.

The set up of preferential agreements is more asymmetric than multilateral negotiations because countries cannot compensate for their

weaker capabilities through cooperation and alliance formation with other weak states. Accordingly, the outcomes of these negotiations have been considerably unbalanced, often in favour of the most competitive sectors in industrial countries, and in detriment of small producers and policy space in the developing world. By the same token, they also pose strains on domestic governance. Negotiations are often conducted by the executive branches of government, in close contact with business, without participation of parliaments, trade unions and other civil society groups. Harmonisation of legislation therefore often becomes a top-down process. The push towards global and/or international harmonisation is not followed with a push towards greater representation – particularly of groups that will be the most affected by the distributive effects of the preferential agreements.

The investment rules contained in the recent preferential agreements also posed a challenge to democratic governance. The state-investor provisions contained in the investment protection chapters give rights to investors/corporations to take legal action against governments when they consider their interests have been affected by the adoption of new legislation that may modify the investors' return expectations. The North American Free Trade Agreement (NAFTA) Chapter 11 on investment rules and extended into a spate of many other preferential agreements, provides numerous examples of the limitations on democracy in cases where government had to compensate corporations financially in following the passing of legislation to protect public health or the environment.

Preferential agreements introduce a greater reduction of policy space of developing countries. With the liberalisation of government procurement, states give away an important tool to favour the development of local industry and to generate growth and employment. Likewise, the prohibition of performance requirements on investment eliminates the possibility of nudging firms to perform socially or economically desirable goals, such as employment creation, establishment of local research and development, creation of value chains. The liberalisation of services also represents the signing away of the role of states in the provision of basic public services that are key for development in societies with deep social asymmetries, such as education, health and others.

Bilateral, inter-regional and multilateral processes become intertwined in a spiral of precedents. The agendas that are negotiated and implemented in preferential agreements become the floor for multilateral negotiations that are eventually taken to the WTO. In other words, preferential agreements are used to change the balance of power. They are also more readily used for issue-linkage in areas such as defence, in the case of Colombia or migration in the case of Mexico.

This assertion still begs the question of why do countries resist commitments in the WTO which they gladly accept in free trade agreements (SHADLEN, 2008). Three reasons can account for this. The first is that the most reluctant countries are not the ones with major FTAs with northern countries. The second is that resistance in the WTO whets the appetite of exporters in the North. The third is that even in conditions of asymmetry where gains are divided there is ample room for relative gains.

So far we have identified some of the main challenges introduced by power asymmetries in trade negotiation processes. Such power asymmetries show that the majors have rights of tutelage; they can ensure the direction of policy and shape a number of outcomes in minor countries, driven by specific interest group pressures or broader political calculations to maximise their states' power. Yet, even within such institutional constraints, a rank of countries can enjoy certain degrees of freedom in setting parts of the agenda and influencing outcomes. These degrees depend on the prevalent epistemic consensus, but also on strategies that are born out of adaptation and learning, framing/re-framing the issue to fit into the dominant norm, and building supportive inter-state and transnational coalitions. A reflection on balancing behaviour is particularly relevant at a time when the rise of emerging economic powers such as India, China, Brazil and South Africa is creating new political opportunities to redefine existing global and regional structures and practices. The conditions under which the increased influence of these countries can effectively translate in the overcoming of power asymmetries in trade processes are addressed in the second part of the paper.

Addressing vulnerabilities? The pursuit of sources of leverage.....

Unfleshing asymmetrical situations offers a way not only to analyse situations, but to look at these as arenas for power contests. Such contests involve efforts by the historically weak or under-represented to coalesce in order to trim and reshape rules and reduce pressures to accept policies they wish to evade, delay or resist in order to reduce costs and change their fates. In this part of the paper, we argue that the bargaining power of states in trade negotiations relies on at least four dimensions: (1) the relative size of the market; (2) the type of intergovernmental coalition created as part of negotiation processes; (3) the alliances of governments with business organisations and labour/social organisations; and (4) the particularities of domestic institutions. These conditions represent sources of power in trade negotiations. We now turn to see how these are used.

Market power: size matters after all! The size of domestic markets is an important factor affecting the degree of governments' bargaining power in trade negotiations. Market power is a relational concept. This means that the extent to which securing market access is a policy priority for a given country is related to the degree of dependence of that country's economy from its exports to other markets. It is often the case that this equation involves minor countries being more dependent on market access in major countries than it is in the reverse direction. In the global economy characterised by uneven levels of development and an increasingly transnationalised production structure, differences in market size act as powerful factors affecting the dynamics of trade processes.

In his seminal work on market size asymmetries, Albert Hirschman (1980) argues that when trade with a larger country accounts for a very large proportion of the total imports and exports of a smaller economy, the latter is increasingly vulnerable to coercion by the larger country.

The implication of this point is that, rather than small countries being concerned about the potentially threatening effects of floods of imports, countries ought to be more concerned when most of their own exports go to any one country. The argument is that if a large country A decides to stop exporting to a small country B, it will be relatively easy for B to find alternative sources. On the other hand, it will be relatively difficult for B to find alternative export markets, “all countries being ready to sell and none ready to buy” (HIRSCHMAN, 1980, p. 32).

Governments can use market access as powerful bargaining chips in trade negotiations; either to persuade export dependent economies to offer greater concessions than they would otherwise be willing to offer, as well as to threaten them with the ending of existing market access preferences. The fear of losing market access is so debilitating that some governments go a long way to ensure that their exports reach the markets in industrialised countries. Shadlen (2008) has shed light on the specific reasons that led Colombia, Peru, Chile and Central American countries to negotiate bilateral preferential agreements with the US in highly asymmetric conditions which resulted in the abandonment of policy space and key development tools. These countries already export to the US under the GSP scheme. However, GSP schemes generate market access that is vulnerable since there is always the risk of changing political conditions in the US or lobbying pressures, at times of renewal and revision. In the WTO, under the MFN principle a country that withdraws market access rights is liable to demands for compensation. This option is not available in GSP schemes. Shadlen then concludes that the incentive for embarking in such negotiation processes was the reduction of uncertainty and risk derived from the possibility of being excluded from the US market. This was nonetheless done at the expense of great economic costs and policy space.

The growth of emerging Southern economies that has taken place in recent times is beginning to shift the balance of power in trade processes. The clearest example is China, but also India, Brazil and South Africa are in that rank. As market size begins to count, so does the bargaining power of these countries. The potential for gaining greater influence is also tied to the progress in promoting more substantial trade relations between such emerging powers facing the fear of being swamped by the major countries. The IBSA initiative (India, Brazil and South Africa) to promote South-South cooperation and closer trade relations is a step in this regard (LECHINI and GIACCAGLIA, 2007). This leads to the much-needed diversification of export markets away from the traditional industrial countries. Likewise, pooling of market size through South-South projects is also a way of gaining leverage. Much southern regional activity grows out of the need for mitigating asymmetries and balancing crystallised inequalities; it is also concerned with retaining power in the region, filling spaces in which global structures are seen as encroaching or excessively constraining. In a number of sectors where producer interests sometimes compete with foreign business, governments may well respond to globalisation in ways that attempt to preserve and nurture spaces for local players. The regional arena is used by governments, business and other actors to resist and shape markets, the model emphasizing

the primacy of concerted state intervention, domestic politics and economic or social values such as distributive outcomes rather than global efficiency. Governments, deriving political legitimacy from their capacity to undertake traditional social responsibilities for the societies they govern, may be compelled to turn to regional collective action as an option to maintain levels of employment and policy instruments.

Regionalism plays a circular game of alternating pro and anti-liberalisation stances through regional structures and arrangements. A lesson stemming from Europe is that regional integration projects often need large member states with technocratically capable cadres in order to provide vision and leadership. France and Germany played this role in the European Economic Community and its antecedents from the 1950s, and Singapore and Thailand seem to aspire to a similar partnering role in the Association of South East Asian Nations (ASEAN). Brazil in South America is a case in point. However, for regionalism to be conducive to the reduction of international power asymmetries it also needs to be able to address domestic and regional asymmetries. This requires keeping policy space over key public instruments needed to adopt long-term development strategies at the national and expanding them with regional cooperation. The Brazilian government is aware that it is not sufficient to integrate markets. Regional governance instruments are indispensable for the integration of production chains, regional public instruments, social policies to address internal asymmetries.

Intergovernmental coalitions: The usual response to the problem of weak bargaining power is the strength-in-numbers argument. The formation of intergovernmental coalitions constitutes another source of bargaining power to contest asymmetries (ODELL, 2006). The incorporation of new members to the WTO has opened a political opportunity for developing countries to increase their leverage by building coalitions around a series of common issues and agendas. Approximately 110 of the WTO's 159 members are developing countries. This presents a favourable situation to build coalitions to reduce the power asymmetries in trade negotiations, make decision-making processes more equitable and transparent.

Developing country coalitions such as the LMG, the African Group, the G90 and mainly the G-20 and G-33 led by Brazil and India have gained considerable repercussion. The resistance of the LMG and the African Group against the exclusionary decision-making procedures at the WTO led to the breakdown of the ministerial meeting of Seattle in December 1999. This set an important precedent for collective action. Moreover, the pressures of the G-22, G-33 and G-90 led to the impasse at the Cancún meeting in 2003. This created a new precedent in the history of the WTO. They also succeeded in getting three of the four Singapore issues (investment, competition policy, and government procurement) dropped off the negotiating agenda of the Doha Round. In the aftermath of the Cancun meeting, the G-33 stepped up its demands for special and differential treatment (S&D) as a prerequisite for progress in the Round, particularly the right to identify special products of interest on which there would

be no tariff reductions (CHARLTON, 2005, p. 4; MABLY, 2009). Other indications of the influence acquired by coalitions can be seen in relation to TRIPs and public health and to the Cotton Initiative led by the Cotton-4 supported by the African Group. The influence of these coalitions in trade discussions has changed the institutional dynamics of the WTO (NARLIKAR and TUSSIE, 2004; PATEL, 2006).

All these coalitions differ from their older counterparts and predecessors. They adopt a more prominent and publicly visible role in negotiations, which often involves issuing public declarations, holding press conferences, engaging in media campaigns, creating logos and forms of branding. Another distinctive feature is their engagement with NGOs in the framing of negotiating positions and in the undertaking of public advocacy campaigns. The case of the campaign of Brazil and other developing countries allied with NGOs to frame the negotiations of intellectual property as a health issue in the Doha conference illustrates this point.

Amongst these coalitions, the G-20 (in which the big countries such as Brazil, India, China, South Africa, Argentina) is particularly important, not only because it carries weight by its sheer market power but because it has significant development implications to smaller developing countries which remain at the margin of the negotiating process. However, the G-90 plays a key role with regards the transparency and democracy in the WTO, mainly by questioning norms in the rule-making process. Furthermore, the G-33 which represents over 40 developing countries in agricultural negotiations proposes the recognition of 'special products' for special treatment (i.e. lower tariff reductions). The argument is that, in the absence of deep pockets, tariffs are the only instruments available to protect their farmers.

Intergovernmental coalitions rely on the production of knowledge to argue their case. Formalised and shared knowledge can gradually change rules of engagement as they assist governments with technical and analytical resources. This capacity is needed to deal with the dilemmas of the circular game between bilateral and multilateral negotiations. Their very informality is a rich learning ground; it has the advantage of having low start-up costs, allowing greater flexibility and the avoidance of sanctions. By way of example, following the Cancún Ministerial, some members of the G-20 were compelled to drop out in response to pressures from the US. Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, and Peru broke away from the group for some time but after concluding their bilateral negotiations with the US they returned to the fold and were accepted with no acrimony.

These flexible arrangements also serve as safety nets when regional agreements are watered down and even split as a result of the push of North-South agreements. This has been the case of the Andean Community of Nations, the Central American Common Market and ASEAN.

Alignment with networks of non-state actors: As was discussed in the first section, the new emphasis on reciprocity has added a previously absent domestic dimension, whereby the gains of one sector abroad require another sector to adjust to heightened import competition. The sensitivity of domestic actors to the distributional impact of trade concessions has tended to gen-

erate conflicts and resentments. Unleashing sufficient passion from below, civil society campaigns and new forms of organisation and resistance were triggered. These increasingly mobilised actors have created transnational networks and coalitions exercising voice and demanding participation. Moreover, some of these civil society actors have constructed social movements to articulate responses to the push of asymmetric negotiations.

The capacity of governments such as Brazil, Venezuela, Ecuador and Argentina in South America to seize the opportunity and to enrol with non-state actors became an additional source of bargaining power. Leaning on these campaigns, governments can manipulate value conflicts, trim proposals and react with counterproposals either through regional agreements or the looser coalitions in the WTO. Dealing with asymmetry becomes less of an exercise in helplessness. Instead, it becomes more of an exercise in negotiated accommodation where state and non-state actors interact and feed off each other in a process whereby values become shared, rules gradually codified, and all actors get to reinvent themselves. There is then a constant weaving of negotiations to build consensus at home by incorporating and/or co-opting anti-globalisation movements.

In terms of alignments with transnational civil society networks, there is the well recorded case of the alliance crafted between developing countries and Non-Governmental Organisations (NGOs) like Consumer Project on Technology, Médecins Sans Frontières and Oxfam has been a crucial aspect of the Declaration on TRIPs and Public Health that was agreed by ministers in Doha. Another prevalent example is the informal alignment of the Venezuelan government with social movement coalitions in Latin America in the context of the negotiation of a FTAA. This alignment centred on building regional opposition to the neo-liberal trade agenda contained in the FTAA project, as well as fostering the construction of alternative integration projects in line with the Bolivarian Alternative for the Americas (ALBA) initiative (SAGUIER, 2007). Likewise, Argentina and Brazil side-lined with the international labour movement and the International Labour Organization in the context of the G-20 summit process to support the centrality of protecting employment and social security as policy responses to stimulate sustainable economic recovery in the face of the international financial crisis (SAGUIER, 2011).

Concessions of selective participation to some civil society actors, a common currency used by the United States in classic two level games to increase leverage in negotiations (Putnam, 1988) are emulated by weaker governments in their challenging strategies. What emerges from these trends is an interesting relationship between the use of mobilisation and resistance in which governments adapt in response to claim-making and mobilizing by civil society and balance the move with the risk adverse mindset of elites with popular disaffection.

Discursive/Normative power: Negotiations are embedded in an intellectual landscape that directly affects course and outcome. Perhaps this is the least-discussed element and the one leading to the reproduction of intangible asymmetries. Ideas in trade have become so dominant

that they are embedded in trade institutions and promulgated by those institutions. They can remain then largely unquestioned and taken for granted, playing a subtle background role in shaping and limiting public debate and the articulation of policy alternatives, thus de-politicizing issues. As such ideas can exercise a non-coercive form of power wielded by dominant actors, often called soft power or cultural hegemony, concealing power relations that stratify the global system into a core of rule makers and a broad band of heterogeneous rule takers. Ideas may also be used, however, to frame or re-frame an issue and influence the public discourse around it (SELL and PRAKASH, 2004). Used as tools ideas can contribute to the definition of interests, identification of policy problems and preferred solutions, especially in their capacity to posit causal relationships (GOLDSTEIN and KEOHANE, 1993). They have been useful in the types of coalitions mentioned above. Norms, ideas about what is right or wrong, can legitimate action or challenge legitimacy. Ideas can also become weapons to undermine prevailing ideas and institutions particularly in periods of crisis or uncertainty. As contending players grow in strength and stature, relying on the creation of coalitions, they must at the same time invest in becoming technically empowered to challenge asymmetry through knowledge, research and value creation. Value creation and the crafting of operating principles all play a role in balancing asymmetry and claim-making.

In this respect, Peter Haas's work (1992) on the role of international epistemic communities illustrates how the transnational collaboration of 'professionals' can shape policy preferences and are applied to problem solving. The term of epistemic communities refers to a congregation sharing a world view (or episteme). It is an international network of professionals with recognised expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue area. The professionals in an epistemic community have a shared set of normative and principled beliefs: common casual beliefs, which are derived from the analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcomes. They also share notions of validity and a mutual policy enterprise.

Political networking with governing institutions lays the groundwork for a broader acceptance of the community's beliefs and ideas. Economic and political networking allows them to control the channels by which these innovations diffuse and to become the torchbearers of new ideas, setting standards for some policies and freezing out others as wrongheaded. Once achieved, that inner circle can be expanded to broader and broader international sets of governments and civil society networks until it is shared by enough to persuade the world that its policy aspirations are achievable. Such constructions can matter, not simply because they can provide the substantive content of demands in a trade negotiation, but also because it can serve as an important legitimising device. This source of power in trade negotiations concerns the ability of governments to frame particular demands and agendas in terms of

concepts or themes that can enhance the imperatives of one position over another avoiding or softening visibly ideological grounds.

Ideas, like interests, are not static. Uncertainty, crises and unforeseen or unintended consequences of past policies and actions can present opportunities for change, which is, learning. Ideas and interests may also be reshaped through interactions with other actors. In this context, policy networks and communities of knowledge can serve as a focal point to share analyses of the environment, the consequences of policies, and the legitimisation of change. The power politics of knowledge can influence first the conceptual change and then legitimise the implementation of an agenda that has evolved as a result of several other, often political, forces. The value of ideas and knowledge is that it can justify and explain demands of one group to other groups; and can help to disentangle the knowledge trap. Likewise, ideas and knowledge are also powerful insofar as they make it possible to envisage alternative scenarios and aspirations on which political visions can take form. Here is where ALBA, IBSA and UNASUR have made great contributions to balancing the asymmetric world order.

Conclusions

How can developing countries manage the terms of integration into the global economy? How do different sets of external pressures place constraints on national development strategies? What offsetting mechanisms have emerged? We drew attention at the outset that trade negotiations on a reciprocal basis take place in conditions of severe asymmetric power relations with scarce if any chance of fair play. The renewed North-South imbalance embedded in the North-South agreements is a straightjacket that compels developing countries to follow standard neo-liberal policies. This depiction, applauded by some and assailed by others, understates the difficult dilemmas that countries face. It is undeniable that changes in the contemporary international political economy limit past options, and that today's developing countries are being deprived of opportunities to use many of the policy instruments that more developed countries used at similar levels of income. But this argument does not count the opportunity costs, the cost of being excluded and the domestic political frictions involved;⁴ nor does it take into account that the straight-jacket is never watertight. This is not to say that some of the choices we might wish to make have not become more costly.

Asymmetrical trade negotiations are driven intensely by knowledge and ideas that were linked strategically to the interests of proponents. Negotiations require interest-based problem solving, hands-on research and alliance building oriented at transforming the trade agenda and governance processes. The overarching challenge is the development of power on the basis of inequality; that is to make incremental changes in power positions building new alliances; to provide structure and principles to handle such changes and to allow for transitions that might otherwise prove unmanageable or too costly to face. This requires mustering of collective forces where coalitions cooperate with each other

4. If there is an opportunity for an actor to achieve an export gain, an 'opportunity logic' may be invoked by the actor presented with the opportunity, often highly conditioning government action

to mobilise for change, to solve problems and attain goals. While inter-governmental coalitions and regional agreements are mechanisms to strategically *influence* the process, civil society networks serve to strategically *challenge* the process. They have all become significant symbolically as well as practically. Agenda setting, assessment, and the construction of counter-proposals involve continuous evaluations and filtering to suggest alternative modes of actions.

To belabour the point; victims build capabilities. Possibilities rest on mustering sources of leverage increased bargaining competence, a vision, a map and operating principles. Herein lays the challenge of participating in the building of new ideas, practices and institutional arrangements for trade governance to overcome entrenched asymmetries for the goal of a more egalitarian regime. There is no doubt that the asymmetric power relation in the centre-periphery model still holds. This is why the issues of regional and global governance have become so prominent in South America and are likely to loom even larger if negotiations with the EU change the balance.

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