

THE PROBLEMATIC OF TRADE AND DEVELOPMENT BEYOND THE DOHA ROUND

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I. INTRODUCTION

This paper is concerned with reform of the multilateral trading system. It does not deal with proposals for reform, though that might be the next logical step. Rather, the paper asks “what factors preclude us from thinking about a dramatically different system of trade regulation that would produce better outcomes for all participants but which instead concentrates our minds on tinkering with the existing system?”. The paper rests on two interrelated claims and a contention. The first claim is that in the absence of a fundamental overhaul of future trade negotiations it is unlikely to produce outcomes that are markedly different from those of previous rounds or that which is likely to result from the Doha Development Agenda (DDA). The second claim is that when confronted with yet another asymmetrical bargain, as DDA is likely to produce, attention will most likely turn to fettling (shaping), but nevertheless preserving, the way in which the current system works rather than substantially changing or overhauling it. The contention is that because our energies will tend only towards piecemeal reform, it is likely that trade negotiations will continue to result in an exchange of concessions that will be of relatively greater value to the economically more significant trading nations than their developing counterparts. This will, in turn, further exacerbate, rather than attenuate, the relative gap between rich and poor countries (as well as elongating the range of countries inhabiting the in-between). In making these claims I am not

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ruling out the prospect that reforms of some value may result in the near future. Simply, that in the absence of a fundamental departure from existing ways of regulating multilateral trade, few prospects exist for the realization of development gains for all (and particularly for the least developed). Anything less will merely patch up a problematic system.

The paper explores two sets of factors that combine to constrain the way in which we think about reform of the multilateral trading system. The first set is specific to the institution itself, its dynamics and the way that it has evolved. The second set is specific to the way in which the story of multilateral trade liberalisation has been told, the language used, the story-tellers themselves, the images and actions that are conjured up, and the underlying ideas and ideologies. The argument is that the nature and evolution of the institution and the discourse surrounding multilateral trade liberalisation have unfolded in such a way that encourages a persistence with the current system rather than enabling a radical rethink of how trade might be organised. Inevitably, in developing its argument the paper also offers an account (albeit all-too-brief) of why the General Agreement on Tariffs and Trade (GATT) / World Trade Organization (WTO) has produced inequitable trade bargains and why this is likely to continue to be the case – though that is not my primary task (Wilkinson, 2006 for a more extensive treatment). My principal aim is to show that both institutional and discursive barriers exist which preclude any discussion of substantive reform of the multilateral trading system with a view to calling into question the limits we put on thinking about the WTO to encourage a more open (and less institutionally and discursively constrained) discussion.

In pursuit of its aims, the paper unfolds as follows. It begins with an exploration of the institutional factors that have produced both a particular kind of liberalisation as well as encouraged a persistence with that approach. The paper then explores the way in which the story of multilateral liberalisation has been narrated and the impact this has had

on crowding out alternative ideas about reforming the world trading system. Thereafter, the paper offers its concluding comments.

II. THE INSTITUTION OF MULTILATERAL TRADE LIBERALISATION

It is both difficult and problematic to separate the institution of multilateral trade liberalisation from the way in which the story of its development has come to be told. I nevertheless do this here to illustrate the specific institutional factors that have come to produce a system which liberalises trade through the production of unequal bargains and which combine to encourage a persistence with that system. This separation is, however, only for convenience of mind. It is only when the institutional and discursive features of the system are taken together that a clearer picture of why we persistent with the current system exists and why we seek merely to tinker with aspects of its form.

The GATT was designed for a specific and narrow purpose. It sought to stimulate the United States of America's (USA) post-war economic growth while at the same time offering a measure of assistance in the reconstruction of the USA's (largely) European Allies. The kind of liberalisation that was pursued reflected these twin purposes. Accordingly, the first round of negotiations targeted market access in manufactured, semi-manufactured and capital goods: precisely the areas in which the USA had a competitive advantage and surplus productive capacity and precisely those goods that were necessary for European reconstruction. Liberalisation was, however, consciously avoided in areas of political sensitivity. Worries about self-sufficiency in food stuffs, the economic health of the agricultural sector and the strength of its political lobby ensured that agriculture was excluded from the GATT from the outset; fears of "market disruption" – essentially worries about the competitive challenges of the newly industrialising states to sunset industries in the industrial world – later led to the exclusion textiles and clothing.

Three practices were adopted in pursuit of these purposes: (i) liberalisation was to be achieved through a *political* process of negotiation among participating states; (ii) the bargains struck would produce an *exchange* of concessions wherein the currency of exchange would be preferential market access; and (iii) liberalisation would occur in “rounds” – that is, in distinct negotiating periods with a definable beginning and end (albeit that the ‘end’ has invariably been longer coming than envisaged at the start of the negotiations). Three principles, intended to govern the conduct of negotiations, were adopted as corollaries of these practices: negotiations were to be reciprocal, the outcomes of negotiations were to be conveyed to all participants on a most-favoured-nation (MFN) basis, and foreign interests were to be treated in the same fashion as their national counterparts.

The application of these practices and their associated principles was not, however, unproblematic. The use of political bargaining among states of dramatically different power capabilities – in terms of their capacity to negotiate, the differences in the size, make-up and diversity of their economies as well as their military, ideological, material and non-material significance – contributed to the production of deals that varied considerably in terms of the opportunities they presented to the participating states. Larger, more economically significant states tended to fare better than their smaller, developing counterparts. Early liberalisation in industrial goods, for instance, proved beneficial (as had been the intent) to the USA and European economies, whereas it was of questionable value to those developing countries that were original contracting parties to the GATT (such as Cuba, Southern Rhodesia, Burma, Sri Lanka, Brazil, Pakistan or Chile – all of which were much more interested in liberalising areas that remained heavily protected such as agricultural and tropical produce). Differences in negotiating capacities – in terms of technical expertise, human, financial and other resources and the capacity to establish permanent delegations in Geneva – contributed further to this imbalance. Indeed, few of the original, developing country contracting parties were adequately represented during the first GATT

negotiations; several (such as Southern Rhodesia) took part in the negotiations merely as satellite states of the colonial powers.

A second problem arose from the pursuit of liberalisation in rounds. Simply put, each time a negotiation took place it did so, not in isolation, but on the basis of the outcome of previous rounds. This meant that delegations approached a new round mindful of the results of a previous round as well as being cognisant of any other aims and objectives they may have had. In this way, negotiations were conducted mindful of what had gone before and of any inequities that resulted therein. Trade negotiations were (and are) thus “iterated games”; as such, the outcome of one necessarily affects the way in which future “games” are played as well as their outcome. This is the case for large and small countries alike. During the Kennedy round, for example, the USA attempted to rectify what it perceived to be the relatively greater gains made by the European Economic Community (EEC) in the previous rounds (Lee, 2001) and states with large agricultural sectors sought from the outset remedial measures to recover the ground lost by the continuation of large-scale agricultural protectionism in the (but not exclusively) industrial world.

This iteration has, inevitably, put GATT contracting parties/WTO members at loggerheads with one-another; the development of the GATT/WTO has been such that the two groups most frequently perceived to be at loggerheads with one another are developing countries (as those primarily seeking to rectify past anomalies) and their industrial counterparts (as those seeking to protect sectors of decreasing competition and political sensitivity as well as to open up new areas of economic opportunity). The problem is that in approaching trade negotiations, those seeking some kind of retribution are encouraged to agree to new concessions in return for remedial action. This is the logic of any bargaining-based system. Yet, it is because of this requirement to offer something in return for that which is received, coupled with existing power inequalities between participating states, that

asymmetries in outcome have been perpetuated and exacerbated in successive GATT/WTO rounds.

The Uruguay round provides a useful example of the exchange of concessions in new areas for remedial action. As a group, developing countries agreed to the adoption of agreements on services (The General Agreement on Trade in Services – GATS), intellectual property (The Agreement on Trade Related Intellectual Property Rights – TRIPs) and investment measures (The Agreement on Trade Related Investment Measures – TRIMs) in return for the inclusion of agreements on (and modest liberalisation in) agriculture, and textiles and clothing and the inclusion of a range of provisions throughout the Organisation’s legal framework designed to ease some of the pressure for reform generated by the new rules. While the inclusion of agriculture, along with textiles and clothing, rectified a modicum of an existing imbalance (by bringing into the fold areas that had previously been excluded from the GATT) and the sprinkling of development-sensitive provisions sweetened the deal, the introduction of new rules in services, intellectual property and investment measures simply generated addition asymmetry. Although developing states could finally hope to benefit from a measure of liberalisation in agriculture and in textiles and clothing, their lack of capacity and resources ensured that this was not to be the case in the new areas. Whereas, not only were the industrial states disproportionately greater beneficiaries of trade liberalisation in areas already covered by GATT rules, the structure of their economies was (and is) such that they would be the primary beneficiaries of the market opportunities present by the liberalisation of services and investment measures, and the codification of trade-related intellectual property rights.

The point here is that the combination of political bargaining among states of vastly different capabilities and the use of exchange as the mechanism of liberalising trade has produced bargains that are of dramatically different value to participating states. As negotiations take

place in bursts overtime, the inequities of one negotiation have an influence on structuring another; since it is only in reciprocating for concessions received that a round can hope to reach a conclusion, it is only through a process of exchange that past anomalies can be redressed. Yet, it is precisely because each exchange is asymmetrical that as negotiations take place the imbalance of opportunity among participating states is exacerbated rather than attenuated. And while it is the case that the least developed are relieved of the requirement to reciprocate, this is not unproblematic primarily because it excludes them from influencing in any way the shape of the negotiations (a point to which I return below). The consequence is to produce one asymmetrical bargain after another. Yet it is only when all of the negotiations are taken as a whole – that is, over the lifetime of the institution – that the extent of this asymmetry can be appreciated and it is only when viewed in this way that we can appreciate how entrenched the imbalance in the distribution of opportunities has become.

The pursuit of negotiations in specified time periods – whether in rounds generally or, particularly since the WTO was created, during ministerial meetings – is similarly problematic. Negotiating in this fashion has generated an institutional culture wherein bargaining only begins with vigour in the closing stages of a round/meeting. This culture not only creates a pressure cooker atmosphere where delegations are encouraged by the anxiety and pressure of the moment to agree to concessions that, upon reflection, may prove to be less than favourable, it exacerbates further the consequences of relative differences in negotiating capacities. Delegations from the least developed nations, for example, struggle not just to take a sufficient number of staff to a ministerial meeting but to find personnel with a sufficient understanding of the issues to enable meaningful negotiations to take place, leaving them having to rely on the technical assistance of their competitors and/or briefings from Non-Governmental Organizations (NGOs) (the majority of whom are also excluded from crucial meetings) and wandering around the press/NGO centre waiting with the other gathered observers for an announcement of

the state of play. As Dipak Patel famously once noted, the *Financial Times* has more people and a greater capacity to cover trade policy than he does has as Chair of the Less Developed Countries (LDC) group (Patel quoted in Beattie, 2005).

The problems generated by bargaining between unequals, in iterated rounds in the pursuit of an exchange of concessions in highly pressured settings, are compounded by the point at which a state begins to participate in the liberalisation process. Crudely put, the earlier a state began participating in multilateral trade negotiations, the more able it was to influence the shape of negotiations and the less likely it was to have to accept overly burdensome membership requirements (particularly since the creation of the WTO); those that were instrumental in crafting the GATT were able to put in place what Robert Keohane calls 'first mover advantages' (Keohane, 2002: 253). These advantages, as Robert Wade suggests, enable institutional innovators to 'kick away the ladder' by putting in place measures that secure and preserve their status while precluding later entrants from the same advantages (Wade, 2003: 632). This was clearly the case with the GATT. The GATT was designed around the needs of its principal architects (in that it promoted liberalisation in manufactured, semi-manufactured and industrial goods) and excluded those areas that were strategically important and in which liberalisation would have been beneficial to new entrants – largely agriculture. Those industrial states that had chosen not to participate at the institution's inception acceded to the General Agreement soon thereafter so that by the mid-1950s all of the major industrial trading nations were signatories. Few had economic interests that differed from the kind of programme of liberalisation that was put in place by the institution's architects. Most sought the freeing up of trade in manufactured, semi-manufactured and capital goods while protecting their agricultural markets. Thus, their interests were largely served by the way the GATT had been constructed and the manner in which liberalisation was pursued. Thereafter, the accession of non-industrial countries was relatively automatic. Many newly independent states were

sponsored by their former colonial powers – so called “grandfathering”. These states did not accede, however, on terms of their own making. They were often presented with GATT accession as a *fait accompli* (this was the case, for instance, with Jamaica, and Trinidad and Tobago). Their interests were seldom represented and their role in GATT negotiations was often limited. Others had accession processes that were a little more drawn out but which, nonetheless, ensured they acceded to the GATT in a distinctly disadvantageous way. Japan’s accession was perhaps the most extreme in this regard (Patterson, 1966: 272–300).

During the Uruguay round many countries were encouraged to sign up to the GATT to by-pass the more demanding regime that would emerge under the WTO. The rush that ensued ensured that detailed assessments of the consequences of accession were often overlooked or simply ignored. Those that have acceded since have had to agree to ever more demanding accession protocols requiring significant domestic economic adjustments, without being able to demand the same kind of reciprocation of already existing members. It thus remains that case that the shape of the system, both in terms of the rules adopted and the liberalisation pursued, was primarily tailored to the needs of the institution’s architects and few changes to, or indeed opportunities to change, the system have occurred since it was first negotiated. Those countries that acceded at the outset were more able to influence the shape of negotiations and the manner in which the institution evolved; whereas, later entrants have had to be largely accepting of the manner in which trade is liberalised as well as, for those joining under WTO rules, of the requirements made of them. Needless to say, this has contributed to the imbalance in the distribution of economic opportunities arising from GATT/WTO accession. It has also ensured that the current accession regime has become a point of focus for reform.

Further problematic is the continuation of the practice of a small number of states dominating negotiations. Since the GATT was first negotiated, the core of the negotiations has always taken place between and among

the most significant trading nations (even the original negotiations, nominally among 23 contracting parties, were conducted primarily between the USA and the United Kingdom (UK). In the early years this 'mini-lateralism' was institutionalised through the use of the principal supplier rule wherein a country could only be requested to make tariff cuts on a particular product by the principal supplier of that product. More recently, it has been manifest in the striking of bargains among the most significant trading nations, whether that is the USA and the European Union (EU) (the Group 2 (G2)), the "Quad" (US, EU, Japan and Canada), the new G4 (India, Brazil, the USA and the EU), the Five Interested Parties (G4 plus Australia) and so on.

Under the principal supplier rule, many developing countries were frozen out of the negotiations primarily because they were seldom principal suppliers of anything. Even when GATT rules were altered to allow countries to act collectively in requesting concessions (GATT, 1956: 80; Kock, 1969: 101), developing countries were at a disadvantage in that they had to co-ordinate action among what was potentially a large number of countries in order to meet the requirements of constituting a 'collective' principal supplier. Moreover, because they were not principal suppliers, they were effectively prevented from requesting concessions on items that they did not produce in large quantities but in which they hoped to expand production. To mitigate this marginalisation, non-principal suppliers would be extended tariff concessions made between a principal supplier on an MFN basis, allowing tariff cuts to "trickle down". The problem, however, was that very little of the liberalisation achieved during the GATT's early years was actually beneficial to developing countries. So, rather than resulting in reductions in barriers to trade that would have been of benefit to all contracting parties, the principal supplier rule structured the negotiations around the commercial interests of the dominant trading nations.

While the principal supplier rule has largely fallen out of use, the practice of small groups dominating negotiations has had a similar function.

Agreements are often hammered out among small groups and then multilateralised to the wider membership (who, depending on their developmental status are then either obliged to reciprocate or else get some measure of relief). This ensures some states (the ones at the core) are able to negotiate and agree on an exchange of concessions that are meaningful, while others (those peripheralised by the process) can only say 'yes' or 'no' to a broad swath of unspecific measures designed to encourage their acceptance of a grand bargain under a single undertaking. An Aid for Trade package as a sweetener to the G90 to ensure their agreement to a deal on non-agricultural market access (NAMA), services, some (limited) agricultural market access and others as a likely outcome of the DDA provides an example of this.

Making matters worse, few formal rules and procedures exist governing the conduct of negotiations. In the early years, the absence of formal rules and procedures was widely welcomed. It not only added to the perception of the GATT as an informal, non-sovereignty-constraining agreement (critical to secure the acquiescence of the United States Congress as well as other national polities), it also enabled rules to be changed on the hop. While this suited the leading industrial states, as rules could be altered to ensure that their interests were best served, the lack of codification beyond broad and rather vague principles lent little security to those participants seeking recourse against untoward practices. Moreover, even when GATT rules were codified (a trend since the Tokyo round), it has tended to be done in such a way that entrenched the very practices that enabled the leading states to dominate. It remains the case that other than the broad statements of principle included in the ministerial declarations launching a trade round, hard and fast rules governing negotiations are conspicuous by their absence.

The use of political bargaining as the vehicle for liberalisation has also given rise to a series of practices that make further problematic the capacity of the WTO to deliver equitable outcomes. Allied to the small

group green room diplomacy that forms the core of decision-making in trade negotiations outlined above, subsequent negotiations have seen the emergence of “confessionals” to reveal delegations’ bottom lines, the appointment of “friends of the chair”, and various “forum-plus” tactics such as strong-arming delegates, linkage to non-trade (particularly security) concerns and the like (Narlikar and Wilkinson, 2004). These practices have been widely decried (Jawara and Kwa, 2003). Nevertheless, they have contributed to the production of asymmetrical bargains and, more importantly in this context, they have provided a focus of attention for calls to reform the WTO. In case of the latter, this has become something of a diversion from the core problem – that is, proposals for reform have focused on representation in green rooms, “forum-plus” tactics and confessions, among other things, and not on the use of political bargaining, the exchange of concessions, and time-bound nature of negotiating.

The use of an exchange of concessions as the basis upon which trade opportunities are accomplished has created further problems. During the GATT-years states unwilling, or unable, simply opted out of agreeing to the final bargain. While this meant that in so doing they also reduced their capacity to have a say in the shape and direction of the GATT (which for many developing countries, despite their best efforts, was limited anyway – Wilkinson and Scott, 2008), it nevertheless cushioned them from making certain concessions. However, the capacity to opt out was removed during the Uruguay round with the introduction of the single undertaking – that is, the agreement that all participants are bound by all agreements (the previous Tokyo round had also sought its introduction, though, rather ironically, the *à la carte* system that emerged therefrom was quite the opposite). The introduction of a single undertaking has had several consequences. It has encouraged all participants to take an interest in the negotiations as all are required to be bound by its outcome. This, in turn, has produced greater energy around negotiating itself, which has made the conclusion of deals more difficult (as the Doha round, and Uruguay round before it, shows), as well

as highlighted further the vast differences that exist in the technical capacity of delegations. But the pursuit of a single undertaking has also embedded a tendency towards perpetual asymmetry. Without the capacity to opt out, the losers of any previous trade deal are encouraged to agree to further movement forward in exchange for remedial measures. Inevitably this ensures that the gulf between the economic opportunities offers to participants by trade deals will, at least remain, if not increase, with the conclusion of each round (particularly because those economic interests that are able to exploit new market openings first will accrue significant advantages in doing so).

The preceding discussion, of course, begs the question why, despite a series of practices and procedures that produce asymmetrical outcomes, have members persisted with the GATT/WTO? One reason is that the institution has been relatively successful in fulfilling its original purpose and, as a result (and in spite of some domestic political rhetoric to the contrary, particularly in the USA), it has enjoyed the continued support of its dominant members. The GATT has been at the forefront of creating market opportunities in previously unregulated (and at times heavily protected) areas (such as in services). The creation of the WTO has enabled producers, particularly in the industrial world, to safeguard their competitive advantages through the internationalisation of intellectual property rights (under the TRIPS agreement). And the GATT, and now the WTO, has become an important mechanism in which industrial states have been able to, at best protect, and at least forestall, those areas of declining competitiveness – such as agriculture, textiles and clothing, certain manufactures and so on. In this way, multilateral trade regulation has remained an important tool of foreign economic policy for the leading industrial states.

A second reason is that the GATT and the WTO are part of a wider system of global economic governance in which countries participate, and in which they have become embedded. The level of policy and ideological coherence among the International Monetary Fund (IMF),

World Bank, WTO, the Bank of International Settlements (BIS), Regional Development Banks, the Organisation for Economic Co-operation and Development (OECD), Regional Trade Agreements (RTAs) and so on is such that membership and participation in such groups brings with it certain entailments that make it difficult, if not impossible, to pick and choose membership in one institution over another. IMF and World Bank restructuring programmes often require liberalisation and encourage active participation in trade rounds. RTAs have to be WTO compliant; membership of one financial institution brings with it the logic of joining another and policy is developed across a range of formal and informal institutions as policymaking elites meet during WTO, IMF, World Economic Forum (WEF), Group of 8 (G8) and other gatherings. Moreover, these institutions share, and are knitted together by, a common ideology that reinforces the logic of the system. As such, one reason for persisting with the multilateral trading system, anomalies and all, is because of a system-wide lock-in.

A third reason is that the configuration of power in which the GATT was forged has not altered significantly to bring about the institution's overhaul or its dissolution. The GATT was one institution among many that served to lock in place American power and the economic system that served its interests best. This constellation of institutions comprised, in the realm of economic governance, large scale organisations such as the IMF and World Bank, USA-sponsored regional institutions such as The European Atomic Energy Community (EURATOM) and the European Coal and Steel Community (ECSC - and later Asia Pacific Economic Co-operation, APEC and the North American Free Trade Agreement, NAFTA), and informal agreements and arrangements such as the Marshall Plan, the Generalised System of Preferences (GSP), and myriad bilateral treaties and aid agreements. Security institutions have also been important in cementing this system: not only the Security Council of the United Nations (UN), but also the North Atlantic Treaty Organisation (NATO), the Organisation for Security and Co-operation in European (OSCE), the Australia, New Zealand, United States Security

Treaty (ANZUS), the Non-Proliferation Treaty (NPT), and a host of bilateral armament agreements and defence pacts. Many of these institutions were instrumental in developing a consensus around (and acquiescence to) the USA power and its economic system during the Cold War; and they have been important in securing the longevity of that system in the wake of the Cold War as former Soviet republics and satellite states have been brought into the system.

Certainly, changes have occurred in the relative balance of economic power since the end of the Second World War; none have, however, fundamentally challenged US pre-eminence. While the EU has come to rival the USA in economic terms, Europe lacks the political coherence of the USA and does not have the latter's military might. Japan, Australia and Canada have also become key players. Yet again their economic development has not fundamentally challenged American supremacy. What has occurred instead has been the incorporation of these changes in relative power capabilities into an existing institutional architecture. The economic development of these states has evolved in such a way that their interests are now also (broadly) served by the way in which the GATT/WTO is deployed as a machinery for liberalisation (albeit with notable areas of conflict such as agriculture). As such, these changes in the balance of economic power have come to be reflected in green room meetings, mini-ministerial meetings and so on. This utilisation of an existing institutional architecture has, in turn, had the effect of *reinforcing* rather than challenging the existing system, thus ensuring the continued participation of the leading industrial states.

The development of the so-called BRICS (Brazil, Russia, India, China and South Africa) has also been addressed with the inclusion of leading developing countries in key decision-making fora. The formation of the Five Interested Parties (FIPs) or G4 including India and Brazil is instructive in this regard. Likewise, middle and low income developing countries have been incorporated through the acceptance of large-scale coalitions as a fundamental feature of contemporary trade politics (the G20, G33

and G90 have all, for instance, become quasi-permanent groups, while others, such as the CAIRNS group, have also become regular features of the trade landscape). In addition, the continued participation of many Southern countries has been encouraged through bilateral aid regimes, growing involvement in regional trade agreements (that are WTO compliant) and through bilateral pressure from industrial states. Moreover, with the end of the Cold War, the system's credibility was enhanced by the removal of an alternative economic system and the rationale for remaining non-aligned. Indeed, even the most outspoken of developing countries – Cuba and Venezuela – have continued to take part and play a role in the system.

A fourth, and related, reason for the persistence of the current system has been the lack of an alternative forum in which trade objectives might be attained. Challenges to the authority of the GATT/WTO as the primary machinery for trade liberalisation have emerged. The most significant alternative vision has been provided by United Nations Conference on Trade and Development (UNCTAD). However, while the decision to give UNCTAD a formal and permanent presence was made, it was not imbued with the capacity to go beyond the issuing of recommendations, thereby effectively neutering the institution. Moreover, despite the hyperbole that surrounds them, bilateral and regional initiatives have proven only to be a limited means by which trade objectives can be attained; they are relatively more costly and time consuming than multilateral negotiations and promise fewer results, though they nevertheless have value as strategically and economically important tools of foreign policy. The result has been to make the GATT/WTO system the *only* game in town.

A fifth reason can be found in the motivations behind accession to the GATT (and WTO) of many of its participants. Many developing countries acceded to international organisations as both an indicator of sovereign prestige and as one means of preserving their sovereign integrity in the aftermath of decolonisation (as well as in the face internal and external threats). Membership in the UN was the principal objective of any newly

independent country, but other institutions (including the GATT) were also seen to be key. However, many joined the GATT with little knowledge of the institution, often acceding under the auspices of the former colonial powers; few had the capacity to exert an influence on the way the GATT functioned. They were nevertheless socialised into a particular institutional culture and way of liberalising trade – a process of socialisation that emphasised what the institution did, rather than leaving space for thinking about alternative ways to achieve their trade objectives.

A sixth reason lies in the institution's longevity. It is rare for an international institution to falter, particularly one that has been a feature of the political landscape for more than 60 years. Participation in the GATT/WTO has both socialised participants into a particular way of behaving and bred a familiarity with the institution that has made fundamental challenges to its mode of operating rare. Moreover, such long service – more than 60 percent of the GATT's eventual 128 contracting parties were signatories by 1968 – has bred a sense of ownership (despite the inequities that have resulted). This familiarity, socialisation and ownership mitigate the institution's abandonment (despite the soothsaying that emerges about the institution's imminent demise the moment a round looks to be in "trouble"); but it also reinforces a particular institutional evolution that eschews fundamental reform.

What is clear then is that the pursuit of liberalisation through a system of political bargaining wherein the currency of negotiating is the exchange of concessions within a distinct time period has given rise to a series of asymmetrical trade opportunities that are compounded and exacerbated with each new negotiation. The longevity of this system has been secured by its relative success (for the industrial states at least), the logic of global economic governance, the persistence of a post-war balance of power, the incorporation of changes in the relative balance of economic power into the system, the lack of a serious competitor institution, the

prestige attached to membership in international institutions and the familiarity, socialisation and ownership that has come from its evolution. These factors, in turn, have contributed to the socialisation of participants into a particular way of behaving and encouraged a particular way of thinking – one that is broadly accepting of the GATT/WTO as a vehicle for achieving trade objectives and but which is bounded in the sense that it encourages the production of piecemeal solutions to problems posed. However, these factors alone do not explain why we persist with the current system and why our thinking about how it might be reformed tends to be limited to piecemeal solutions. For that we also need an appreciation of how multilateral trade liberalisation has been narrated, how this narration has shaped the way in which we think about the institution and its reform, and how this narration (and the ideas that are embedded therein) has glued the system together.

III. THE NARRATION OF MULTILATERAL TRADE LIBERALISATION

The story of the GATT and its metamorphosis into the WTO is well known and is rehearsed in most texts on the institution (see, for example, Barton, Goldstein, Josling and Steinberg, 2008) as well as in standard works on international trade (Trebilcock and Howse, 1999), international economics (see, for example, Krugman and Obstfeld, 2008), international trade law (see, for example, Van Marrewijk, 2002) and international political economy (see, for example, Gilpin, 2001). More often than not, however, the story that is told is not one that accurately recounts the institution's birth and formative development; rather, it is one that is bound up with an ideological disposition and a set of economic interests but which is nevertheless presented in a neutral fashion and which acts to encourage participation in, and a persistence with, the system. Several aspects of the way in which the history of multilateral trade regulation has been, and is currently, told are noteworthy and pertinent to the argument.

The modern version of the formation of the GATT is nearly always told in a way that distances the institution from the acutely political purposes that it was designed to serve. No pretence was made at the outset that liberalisation under the GATT would be an engine for growth for all. The GATT was presented as a much more partisan instrument, designed to liberalise areas that would stimulate the US post-war economy and help with the reconstruction effort in Europe while protecting agriculture (see, for example, Brown, 1950). In fact, the GATT succeeded *precisely because* it was a narrow and specific utensil rather than the more widely conceived development/reconstruction/full employment machinery its ill-fated and eventually still-born sibling institution International Trade Organization (the ITO) was intended to be. Yet, this instrumentalism is absent from contemporary account of the institution's genesis.

That the GATT should be designed and presented in such an instrumental fashion is, of course, unsurprising. Its negotiation took place in the shadow of the interwar depression. The events of the 1930s had cast doubt, both within the USA and internationally, on liberalism as an intellectual project and the wisdom of maintaining an open world economy, but the alternative, a form of autarkic nationalism, threatened key economic interests in the USA. As such, a case had to be made for both liberalism and liberalisation. The case that was made put forward a particular interpretation of recent history that supported both the return to liberalism and the removal of those barriers to trade (particularly in markets of importance to the USA) that had been constructed in the interwar period. This case rested on the claim that without a resurrection of multilateral trade (and the growing interconnectedness this would foster), protectionism and insularity would flourish. If protectionism went unabated, so the story went, states would pursue their economic objectives bilaterally or regionally which may, in turn, lead to the kind of fragmentation of the world economy that had been a feature of the 1930s.

Clair Wilcox's 1949 book *A Charter for World Trade* provides a good example of the case that was made. Most of the book deals with the negotiation of the Havana Charter which, once ratified, would have resulted in the formal establishment of the ITO. It also sets out a case that was equally applied to the GATT once it became clear that the ITO project was moribund. Wilcox offers an account that presents the century immediately preceding the First World War as one of peace and stability and wherein goods moved "with relative freedom between the nations of the world" (Wilcox, 1949: 3). In so doing, Wilcox associates the consequences of not pursuing liberalisation with economic destitution and political extremism. He links the pursuit of liberalisation with the continuation of the "progress" and realisation of the "freedoms" of the nineteenth century. He uses disease as a metaphor to emphasise the dangers of halting and reversing the process of liberalisation. He conjures up images of penury and immiseration, and liberty and prosperity to support his message. He proposed a core course of action for both the US (as architect of, and the state with the biggest vested interest in, the post-war order) and its allies. And he presented liberalisation as a necessary corollary of building peace in the post-war era (Wilcox, 1949: 3-10, 12-13).

Wilcox's account is familiar to all students of international trade. It has come to be the received history of the GATT. It is not, however, without its problems. The century of relative peace that Wilcox claims precedes the First World War sketches over significant conflicts such as the Napoleonic wars and the American Civil War. It also ignores a period of imperial aggrandisement and various uprisings, civil wars and rebellions engulfing, among many other countries, Italy, Greece, Germany, Portugal, Poland, France, Hungary, Austria, China, Afghanistan, Turkey, Thailand, Hawaii, Peru, Chile, Colombia, Ethiopia, Morocco, Russia, Central Asia, Mexico, Brazil, Uganda, South Africa and Armenia. Likewise, Wilcox's claim that the century prior to the First World War had been one where goods moved with relative freedom is not unproblematic. British agriculture was heavily protected until the repeal of the Corn Laws (in

1846) and restrictions remained thereafter. Agricultural protectionism was a key feature of the German and Swedish economies in the late nineteenth century. Britain, France and Germany routinely protected their infant industries. Tariffs in the USA were consistently and uniformly high (Irwin, 2001) and foreign investment in banking, shipping, mining and logging was strictly regulated (Chang, 2007). And the USA, the UK, Germany and France regularly allowed copyrights and patents to be flouted (even explicitly allowing the production of counterfeit goods).

That errors exist in Wilcox's account, and those of others like him, is not the point. The point is that the narrative Wilcox provides has a distinct political purpose – that is, to add weight to the case for a return to liberalism and the beginning of a new period of liberalisation. Wilcox's account was compelling partly because of the logic that it presented and the way it used worries of a return to the 1930s and danger of another world war to establish its credibility. It was also compelling because of who Wilcox was. His role in the American polity and academy (and others like him who were also instrumental in making the case for a revitalisation of liberalism, such as University of Chicago and Princeton Economics Professor (and sometime advisor to the United States Treasury) Jacob Viner; William Adams Brown, a contemporary of Wilcox's during the ITO negotiations and at Swarthmore; and Wilcox's student William Diebold (Viner, 1947; Brown, 1950; Diebold, 1952) lent credibility to his arguments. Wilcox was a professor in the Economics Department (and, for 37 years, its Chair) at Swarthmore college from 1927–1968; he co-authored (with Paul H. Douglas – a University of Chicago economist and later Democratic Senator for Illinois – another key public intellectual) a petition against the Smoot–Hawley tariff (signed by 1,028 economists); he led the Office of International Trade Policy at the State Department from 1945–1948 (the competencies of which were later transferred over to form part of the interagency Office of the United States Trade Representative, as it became, in 1962); he was head of the United States delegation to the London Conference on the Charter for the ITO; and he was vice-chairman of the United States delegation to the Havana

Conference on Trade and Employment (which concluded the ITO Charter).

It is worth emphasising that this case was based on a perception of what might result should trade not be reconstructed. It was not “fact”. Various conjectural moves were made in the development of the argument and the historical record was groomed according. What is significant for our purposes is that once the argument succeeded in garnering support for the multilateral project it became the basis for the history of the GATT. As a result, the institution’s history became inexorably bound up with a distinct theoretical and normative preference for liberalisation. This is not to say that criticism has been absent; it has not. It has, however, tended towards moaning about the persistence of protectionism and the follies of bilateralism and regionalism married to a call for substantively greater free trade, or else it has been manifest in worries about the unfairness of certain of the GATT/WTO’s practices – green room meetings, confessionals and the like. The point is that the normative preference for free trade is conveyed subliminally in what is presented as a neutral history. This has ensured that debate about the GATT takes place in a constrained, rather than over a broader, theoretical terrain. Moreover, the institution’s longevity, the cultural of familiarity that has grown up around it, and the manner in which interaction therein has socialised successive members’ delegations, has precluded standing back and asking fundamental questions about the institution’s usefulness and/or the role of political bargaining among states of vastly differing capabilities as a means of achieving trade objectives let alone the other problems with the institution outlined above.

Nevertheless, the case Wilcox and others put forward quickly became received wisdom; although once established the core story it comprised and the logic it proposed were not consigned to the historical record. The highly political nature of the GATT and the manner in which the institution evolved ensured that trade negotiations were, from the very outset, highly contested affairs. The drama that ensued imbued

negotiations with a propensity to crisis and, on occasion, collapse (Wilkinson, 2006 for a more extensive treatment). These moments of drama were taken seriously particularly as they threatened to undermine the institution and the purpose for which it had been designed. They also threatened to undermine the case for a return to liberalism and liberalisation. The result was that worries about what might result if liberalisation should be allowed to stall continued to frame GATT negotiations, and the case was made repeatedly at moments when the institution appeared to be in crisis. What emerged, then, was a 'crisis discourse', one that encouraged a particular kind of political behaviour by framing trade negotiations in a manner that is consistent with the conclusion of bargains by warning against what might transpire should the liberalisation process be interrupted (Wilkinson, 2009 for a more extensive treatment).

What is interesting about this crisis discourse is that, not only has it become a key part of the received history of the GATT, it has come to be expressed metaphorically. The metaphor, like the core story, is well known to students of international trade; it is of a bicycle. At its simplest, the bicycle metaphor suggests that trade liberalisation, like the forward motion required to keep a bicycle moving, needs to be in a state of perpetual motion. If that motion were to cease, the process (like the bicycle) would collapse and cause injury to the global economy/the bicycle's rider. The use of a metaphor serves, at one and the same time, to simplify, clarify and intensify the mental image constructed by the crisis discourse of what would happen if the multilateral process were allowed to stall despite the self-evident fact that the trading system is very unlike a bicycle or its movement linear in the way the metaphor would encourage us to believe. Moreover, it has created an imperative around the perpetuation of a particular kind of trade liberalisation – one that, as we have seen, primarily benefits the core interests underpinning the trade regime while at the same time only offering limited prospects for those on the periphery – that has resulted in the conclusion of successive trade bargains that have been deeply asymmetrical.

It is no mistake that the bicycle metaphor emerged as serious impediments to further liberalisation began to materialise in the late 1960s and early 1970s; the core story underpinning the crisis discourse no longer had resonance. By this point, GATT negotiations had become progressively harder to conclude because of increases in the number of contracting parties (which posed logistical as well as political problems especially because of an increasing militancy among newly-independent states), the growing depth and extent of the trade agenda, mounting tensions between the EEC and the USA and growing protectionist sentiment in both, a worsening international economic environment, and mounting concern among developing countries that their interests were not being served (Ibrahim, 1978).

Attributed to C. Fred Bergsten,¹ the bicycle metaphor conveyed the message of the lengthier and more involved core story to a domestic and international public and polity that was nearly 30 years removed from the end of the Second World War, nearly 40 years from the inter-war depression, and had enjoyed (at least in the USA) two decades of unrivalled prosperity. It did not require recipients of this received wisdom to understand the intricacies of what had caused the depression (in which, incidentally, tariff barriers did not play a major role – Estevadeordal, Frantz and Taylor, 2003), but the necessity of maintaining forward motion sought to encourage support for further liberalisation. In so doing it made common-sensical the notion that unless the trade bicycle continually moved forward it would topple over. As Bergsten put it, the “[s]teady movement toward trade liberalization is necessary to halt the acceleration of the trend toward increasing trade restrictions” (Bergsten, 1973: 280; also 1975).

Since they were first articulated, a consensus has emerged around the logic of the crisis discourse and the bicycle metaphor. Both have become staples of trade politics and are widely known and frequently used by

¹ Bergsten did not use the term “bicycle” at first though Jagdish Bhagwati credits him with putting forward the idea. See Bhagwati, 1988: 41.

trade ministers (see, for example, Zoellick, 2001; Mandelson, 2006; Chifamba cited in Khor, 2000); practitioners and negotiators (Emerson, 2005; Bacchus, 2004); personnel in the WTO, UNCTAD, World Bank, IMF, OECD and myriad other international organisations (Moore, 2003; Ricupero, 2001; Camdessus, 2000); trade lawyers and economists (Irish and Peng, 2005); the financial and broadsheet press (Bounds, 2007; Halligan, 2006a); trade commentators (Friedman, 1999; Conway, 2006; Beattie, 2006; Thirlwell, 2006); people working in non-governmental organisations and think-tanks with interests related to trade (Oxfam/WWF, 2002; War on Want, 2006; Draper, 2008); labour and civil society organisations (ETUC, 2006; Global Exchange, 2005); academics (Evans, 1971; Thurow, 1992; Destler, 2005; Aggarwal, 2001; Pauwelyn, 2008); students; as well as critics of the liberalisation process (Kwa, 2002; Khor, 2000; Socialist Appeal, 2008). Moreover, in that process wherein a subjective view has been assimilated as truth, the metaphor has itself been elevated to the status of both “theory” and “fact”. As James Bacchus, founding chair of the WTO’s appellate body (serving from 1995 to 2003), former Democrat Member of the United States Congress (Florida), former Special Assistant to the United States Trade Representative (USTR – 1979–1981), Professor of International Trade Law at Vanderbilt University and Member of the Council on Foreign Relations puts it:

“According to the “bicycle theory,” the history of trade, and of trade policymaking, teaches us that a failure to move steadily forward toward freer trade condemns the world trading system to topple over and fall due to the accumulating pressures of protectionism. According to the theory, we must move steadily, gradually, incrementally forward on the bicycle, because, if we do not, the world will be overwhelmed by all the many reactionary forces that would have the nations of the world retreat from trade ... [W]e must keep lowering the barriers to trade or we will risk losing all the many gains from trade (Bacchus, 2003: 429–430)”.

The point here is that the rationale for the GATT was consciously constructed for a particular purpose. That rationale brought with it a particular version of history has since become the history of the GATT. As such, it represents only a partial, a subjective and at times a problematic account of both the GATT and the logic upon which it is based. The language deployed, particularly relating to the dangers of not pursuing multilateral trade, is nevertheless sufficiently compelling and reasonably close to the historical reality to have become the received story. This, in turn, has assisted in generating and maintaining a consensus around both the GATT/WTO as an institution and the kind of liberalisation pursued therein; and, in the absence of a credible alternative, it has focused attention on fettling but nevertheless persisting with the existing system rather than fundamentally overhauling its core practices and attendant principles.

Two additional points are noteworthy about the history of the GATT. Even the best of the earliest accounts of the genesis of multilateral trade offer a partisan narrative. This is perhaps inevitable as the telling of history is, of course, always subjective (Carr, 2001: 2). It is nevertheless worth noting that like most histories, the lenses that are deployed tend to be tinted in ways that reflect dominant ideas and interests. The standard history of the GATT is no different. Most accounts focus on the GATT as seen from the view point of Washington, London and Brussels. Few explore the role developing countries have played, leaving aside much of the industry and energy many exerted in the GATT's negotiation and evolution. Instead, developing countries tend to be portrayed as either determinedly negotiating relief from various commitments, focused on the pursuit of industrialisation through import substitution and/or free-riding on the commitments made by their industrial counterparts, or else as 'quiet bystanders' lacking the expertise or political representation to participate fully, or attempting to redress biases in the institution's design (Wilkinson and Scott, 2008 for a more extensive treatment). Either way, the presentation of their participation in this way is used to encourage developing countries to reciprocate for

(often inappropriate) concessions received and to become 'paid up' members of the trading system. But it does so only because it reflects one history of the GATT.

The final point to make about the received history of the multilateral trading system is that it has come to dominate, in part, because alternative ideas either do not exist or else they have been discredited. Radically different ideas of socio-economic organisation have fallen by the wayside since the end of the Second World War; and, until very recently, more interventionist forms of liberalism (such as Keynesianism) have retreated in the face of neoliberalism's hegemony (Cerny, 2008). The consensus that has emerged around the neoliberal model has, in turn, solidified further the logic presented by the narrative of the GATT and WTO and has, inevitably, focused attention on the pursuit of minor adjustments for the sake of efficacy rather than fundamental reform.

IV. CONCLUSIONS

What I have tried to do here is illustrate that both institutional and discursive factors combine to encourage a persistence with an approach to trade liberalisation that is deeply problematic and which encourages responses to problems raised that merely offer quick fixes to symptoms of a wider and much deeper malaise. Rather than asking questions about the usefulness of a system of trade promotion that uses political bargaining, exchange and time-bound negotiating as a way of generating economic opportunities, we tend to focus on those anomalies we feel able to correct or to legislate against. We, for instance, bemoan the lack of representation at the core of WTO negotiating, but choose to fix this by changing the states involved and bringing a few more in, rather than putting in place a more representative system. This is akin to solving the unrepresentative nature of the UN Security Council merely by adding a few more states with or without the power of veto. The problem still remains. Likewise, we deal with the anomalies and asymmetries thrown up by the use of exchange to generate trade opportunities by

offering best endeavours, reducing the requirement to reciprocate and so on, rather than questioning the usefulness of the process of exchange itself. Similarly, we persist with time-bound negotiating as a way of concluding bargains and seek to address the anomalies that arise as a result through greater codification and greater transparency rather than asking whether we should persist with such a system in the first place.

In developing my argument I have also leveled a critique at the GATT/WTO. My purpose has been to encourage the emergence of a wider and less institutionally and discursively constrained debate about how trade opportunities can be delivered to all on an equitable basis. This critique should not be mistaken for simple criticism. Criticism is easy and often unconstructive. Critique asks us to continually scrutinise what we are doing and ask if it is appropriate. Clearly what we are doing is not. But before we can move on what we first have to do is agree on the diagnosis. Then we can have a conversation about the shared, rather than the narrow, principles that might underpin a substantially refashioned trading system. This might be one that seeks more to manage trade in pursuit of greater growth and development but which also provides greater safeguards; it might be something else. What it should not be is one that enables some states to accrue relative advantages over others, and to lock these in, and indeed, facilitate their amplification, though an on-going and fundamentally flawed process of negotiating.

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BOOK REVIEW

NEO-LIBERALISM, STATE POWER AND GLOBAL GOVERNANCE

by Simon Lee and Stephen McBride

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*Review by: **Tore Fougner**, Bilkent University*

This book was written at a time when it could still be argued that despite the criticism leveled at it, “neo-liberalism remains as entrenched as the orthodoxy informing the exercise of state power and the conduct of global governance.” (p.13) This is no longer the case. With the current financial-cum-economic crisis – itself, it can be argued, a neo-liberal product – neo-liberalism is being sidelined in both theory and practice, and its hegemony has become a thing of the past. Prior to the crisis, it made sense both to discuss if neo-liberalism could be reformed in a more socially beneficial direction (social neo-liberalism), and to critically examine Third Way policies as “flanking mechanisms” for neo-liberalism (Peter Graefe’s chapter). However, in the light of the current crisis and responses thereto, it is tempting to declare neo-liberalism dead, and argue that the prospects for it to be resurrected any time soon are very dim.

Where does this leave a book, the stated purpose of which is to explore “some of the ways in which neo-liberalism has affected both the nature of state power and its relationship to the institutions of global governance in the contemporary global economy” (p.1) To say something about this, let us consider the broader arguments made in the book. First, it is argued that the effects of neo-liberalism have been not uniform, but rather mediated by domestic institutions, historical

traditions and culture. This argument is backed up by analyses of the impact of the Economic and Monetary Union on industrial relations in Germany (Michael Whittall), innovation policies in England and Canada (S. Lee), educational decentralization in four Latin American countries (Michael McNamara), the convergence thesis of legal reforms in emerging market economies (Linda Elmore) and labor market policies in the OECD area (McBride et al.), and can be treated as a reminder that context is likely to play a role in mediating also whatever replaces neo-liberalism.

Second, the book argues that neo-liberalism has failed to deliver on its promises in relation to both advanced industrialized and developmental economies. While various chapters bring this out convincingly with reference to a number of more specific neo-liberal policies and institutions, the current world economic crisis has brought it out in a much more comprehensive and fundamental fashion. With the crisis commonly seen as originating within the financial system, special mention can be made of Johnna Montgomerie's analysis of how neo-liberal policies of non-inflationary growth led to an explosion in consumer debt. Rather than delivering enduring prosperity, "the over dependence on private individuals to continue consuming to drive the system forward ... led to new prospects for instability and crisis. The persistent reliance on consumer debt to fuel the global economy may be reaching its limits" (p.170).

Third, the book argues that neo-liberalism must be replaced by a different ideology, and contains a series of both reformist and more transformative proposals for change. With reference to Keynes's idea of an international clearings union, Duncan Cameron proposes the establishment of a new world currency unit as a means to promote global justice. Marc Lee proposes a progressive international competition policy aimed at "reigning in abuses of market power" (p.188) to replace the failed WTO-related push for a neo-liberal competition policy that would serve the interests of global corporations and Northern countries.

Theodore Cohn argues that several of the problems currently haunting global trade governance can be resolved through the WTO adopting a “multi-stakeholder model” allowing for greater representation of Southern countries and the inclusion of NGOs and civil society. This proposal can feasibly be read in conjunction with Richard Woodward’s assessment of the difficulties experienced by the OECD in connection with reform proposals concerning membership expansion and a more intimate engagement with civil society. In the remaining two chapters, Colin Tyler proposes a fundamental rethinking of the international institutional architecture for the sake of fostering human wellbeing, while the editors conclude with a call for state power and global governance to be re-founded on a political economy that restores “the public domain of the state and citizenship” as a counter force to “the private domain of the market, consumer and entrepreneur” (p.248), and allows for social goods to be allocated on the basis of citizenship rights rather than market power.

In spite of both the change in world political-economic context, and some irritating typographical errors, missing references and sloppy mistakes, the book deserves to be read. While this is the case particularly with regard to the proposals for post-neoliberal policies and institutions, it also goes for a couple of chapters on an issue that neo-liberalism could never affect to any significant extent – namely, international labor mobility. In this connection, Christina Gabriel’s analysis of unresolved challenges (e.g. citizenship rights) located at the intersection between international trade governance and immigration policy can be of particular interest to readers of this journal.