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A delegate ...

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The Power of the Powerless

The Politics of Poverty at the Doha Round

By Amrita Narlikar

Agenda—the first round of trade negotiations launched under the umbrella of the WTO and the ninth in the history of the multilateral trading system—has been deadlocked since it began in November 2001. Its goal is to encourage international trade by lowering tariffs and trade barriers, but the negotiations, originally set to conclude in 2005, have dragged on with no end in sight. The mood within the organization is understandably somber, morale is low, and negotiators are undermining a multilateral effort by turning to controversial and imbalanced regional and bilateral trade agreements.

It might sound counterintuitive, but one way to understand the long and dreary stalemates that have gripped the WTO is as an effect of the power of the poor. The analysis derives from economist Mancur Olson's idea of "the 'exploitation' of the great by the small," but for Olson, the strength of the "small" stemmed from their ability to free-ride off of the "great." The Doha negotiations reveal qualitatively different and new ways in which developing countries can use their inherent weakness, poverty, as a bargaining advantage. But the Doha talks have also revealed how rich countries have since misappropriated this paradoxical advantage for their own benefit.

A NEW DEAL

When the multilateral trading regime was first established with the creation of the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT), developing countries worked hard to incorporate their development concerns into the agenda, although without much success. Occasionally, poor countries secured "special and differential treatment," which took their low-income status into account and did not hold them to the same trading standards as wealthier nations. But this special treatment was often subject to the generosity and whim of the wealthier nations and could just as quickly be withdrawn. Since 2000, developing countries have reversed course and, with the WTO, have had unprecedented success in pushing an agenda that is much more in their favor.

One of the most significant achievements was not only the renaming of the latest round of trade negotiations as the Doha Development Agenda, but also, more importantly, the new focus aimed at bettering the trade prospects for low-income countries. For years, the least developed countries, as well as middle-income countries, argued that the previous round of trade negotiations had not delivered the promised benefits of more open trade and, further, had burdened them with additional costs for implementing new rules. They sought recognition and compensation for these costs and also argued against having to unfairly open up their markets on a reciprocal basis. With the launch of the Doha Development Agenda, these concerns were, for the first time, acknowledged. Developing countries were promised redress, and the principle of “less than full reciprocity”—an idea that trade rules should be adjusted based on a country’s income level—was introduced.

The Doha negotiations played a vital role in ensuring the incorporation of development goals into trade negotiations. For example, in 2005, the world’s trade ministers gathered at a WTO meeting in Hong Kong and issued a declaration with an annex that departed from the core WTO principle of reciprocal trade. The annex required developed countries, and some larger developing countries, to give duty- and quota-free market access to least developed countries "on a lasting basis." In other words, it institutionalized the principle of "less than full reciprocity."

The collective activism of developing countries was crucial in bringing about both changes. Developing countries used their weakness to bargain for better rules. They made a compelling case that imbalanced WTO rules, such as reciprocity, victimized them. They highlighted not only the monetary costs of abiding by such rules but also the human costs. For instance, the WTO's strict intellectual property rights regime has hampered the ability of poorer countries to develop affordable lifesaving drugs such as HIV/AIDS medication. The poorer countries similarly argued that "aid versus trade" was a flawed framework in which to look at development. Low-income countries didn't simply need one or the other. They argued that their real need was "aid for trade," or assistance that would allow them to overcome the limitations that prevent them from taking on trade liberalization more efficiently and effectively. Critically, Aid for Trade, as it came to be formally called, put a human face to the negotiations by recognizing that trade needed to be inclusive and sustainable. **Aid for Trade** now forms an integral part of the WTO's agenda. The ability of developing nations to frame their goals in a humanistic light was vital in endowing their cause with a certain moral power.

A STEAL

Unfortunately, the rich have also caught on to the power of the poor and realized that they can more easily pass their agenda by framing it as pro-poor. We thus see an ironic reversal, where the rich take a moral free ride off of the poor by reframing their interests in development terms. An extreme example is the so-called ethical consumerism, or fair trade movement. As the economist Jagdish Bhagwati has pointed out, fair trade labor standards are often used by the rich to deprive rival, usually poor, economies of their comparative advantage by increasing their production costs. The Doha Development Agenda negotiations offer a slightly less invidious example in the way the rich exploit the moral power of the poor, but it is equally important. Trade facilitation, which involves the regulation of goods across borders, is a case in point.

In 2013, at a meeting in Bali, Indonesia, WTO members reached an agreement on trade facilitation that would lower trade costs by streamlining customs procedures. But trade facilitation was only one of the four "Singapore issues" (investment, competition policy, and transparency are the other three) that developed countries had insisted on including in the Doha agenda. Most developing countries refused to discuss the Singapore issues unless often neglected development concerns were prioritized. As a result of this persistence, three of the four Singapore issues were taken out of the agenda in 2004.

Even so, of all the agreements that were signed at Bali, the only binding one was on trade facilitation. Several representatives from the developing countries were visibly piqued. They had repeatedly pointed out the imbalance in commitments that were being negotiated under the Bali deal. And although they acknowledged the potential gains—reducing the red tape of customs regulations could cut global trade costs by ten percent—developing countries saw trade facilitation as a red herring that diverted attention from Doha's more pressing development goals. So how did the wealthier nations co-opt a trade agenda centered around development, a move that low-income countries had consistently outmaneuvered over the last 12 years?

The answer is simple, if cynical. In the early years of the Doha Development Agenda, wealthier countries had pushed for trade facilitation as part of their own agenda. But in the run-up to the Bali meeting, they changed strategy—they began to reframe the trade facilitation agenda as one that benefited everyone, but mostly the poor. Estimates varied, but the Organization for Economic Cooperation and Development calculated that a deal on trade facilitation could increase global output by $400 billion a year, with a major share of these gains benefiting the lowest-income countries. In this way, the wealthier nations turned trade facilitation into a development issue.

At no point were developing countries hoodwinked by the manipulation of their own strategy. Some continued to express their dissatisfaction in open statements and private communiqués until the very last stages of the negotiation. One negotiator from a developing country told me that he saw Bali as an example of how the rich nations could hijack the agenda of the poor and also put the blame on them if the negotiations failed. If the low-income countries did not support trade facilitation, which was being sold as being explicitly in their interest, they would be seen as "spoilers" and would be held responsible for the breakdown of the negotiations at Bali and the collapse of the multilateral trading system. The Bali agreement left several WTO member states disgruntled and disappointed. It produced an uneasy truce rather than a long-term solution to the problems of the Doha Round negotiations.

POWER FOR RANSOM

Sometimes, even with the best intentions at play, and irrespective of which countries initiate, attempts to help the poor leave all parties worse off. One tragic example is the WTO's decision-making processes, which have been reformed to give power to the poor but have instead contributed significantly to the recurrent deadlock.

Among all the various international organizations, the WTO has shown the greatest sensitivity to the concerns of developing nations. The organization's one-member, one-vote policy stands in contrast to the weighted voting systems that the International Monetary Fund and the World Bank use. The WTO also stands out in contrast to its own predecessor, the GATT, often known as "the rich man's club." The GATT earned this nickname because even though decision-making was theoretically based on a one-member, one-vote system, deciding by "consensus" meant that voting almost never took place. Instead, small groups of like-minded rich countries made key decisions in secretive meetings. It is true that the norm of consensus theoretically enabled even the smallest country to block a deal, but in practice, most poor countries feared that using this formal veto power would trigger reprisals from the wealthier countries (punishments could involve a refusal to accommodate trade interests or, more severely, dramatic cuts in aid).

The WTO faced heavy criticism for inadequate decision-making procedures that marginalized the overwhelming majority of its members, which were poor countries. The organization proved responsive to this criticism and has managed to transform its GATT-derived legacy. The most important reform, largely undertaken as a result of the activism of developing countries, has been the inclusion of Brazil, China, and India at all key, small group consultations. These larger developing countries, which are now constantly present at high-level talks, give smaller developing countries, including the least developed, an indirect voice by working with them through coalitions and alliances. The WTO's improved inclusiveness, moreover, is far from mere tokenism. As the developed world has learned, the poorer countries are no longer afraid to exercise their veto power.

Greater transparency and inclusiveness should have made for a more democratic, pluralistic, and accountable trading system. But with a much larger group of countries involved in its decision-making, the WTO has been plagued by deadlock. Its members—rich and poor, large and small—are deeply dissatisfied with the organization's inability to deliver results. Disengaged and disillusioned trade negotiators are turning away from multilateralism and seeking solace in inefficient regional and bilateral deals. The credibility of the organization has also been shaken. The costs of a delayed agreement are high for rich countries, but even more so for poor ones, which are most in need of a rule-based trading system. Ironically, the empowerment of the poor in the WTO has potentially done all parties considerable harm in the long run.

A CRITICAL MASS

The moral power of the poor has undoubtedly enhanced the WTO; developing countries have been empowered to push forward their development agenda. That the current round of trade negotiations is dedicated to development issues testifies to this fact. But poverty, as a moral weapon, can also be misappropriated by the rich. It can also exacerbate the current polarization system—for example, via the WTO's decision-making process—and thereby produce the opposite effect from the one intended: empowering the poor. How, then, might the power of the poor be used to simply empower the poor, without misuse and negative side effects?

Part of the answer lies in amending the decision-making rules to ensure that both majorities and minorities have a voice and that neither group tyrannizes the negotiation process. For example, decisions could be made on the basis of an agreement among a "critical mass" (that is, countries that together command an overwhelmingly large proportion of the market share, such as 90 percent). Any agreement reached among this set of major markets would have to be further backed by an overwhelming majority of member countries. Such a formula would likely require a coalition between the developed and developing countries, with neither side able to hold the negotiations for ransom. But institutional innovation alone will not solve the problems of undermining the power of the poor.

Ultimately, the most effective safeguard is to reconsider the presumptions that are made about poverty and victimhood (attributed or self-proclaimed). This means recognizing that not every player that claims to be a disempowered victim actually is one, and it also means questioning the interests of those who claim to speak on behalf of the poor. Another measure to protect the power of the poor is to carefully consider the unintended but negative systemic effects of policy interventions on behalf of the poor. In the absence of such rethinking, the world risks doing great damage to the trading system as a whole and hurting its poorest and weakest members in the process.

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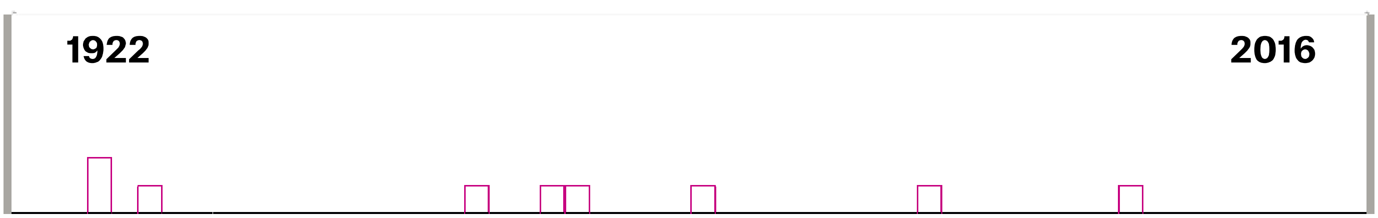

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