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## THE WORLD TRADE ORGANIZATION AND GLOBAL GOVERNANCE

### 1. INTRODUCTION

The General Agreement on Tariffs and Trade (GATT) completed its most ambitious round of multilateral trade negotiations (MTN), the Uruguay Round, in December 1993. The Uruguay Round resulted in a stronger dispute settlement system, multilateral trade rules for services and intellectual property, more multilateral discipline for agriculture and textiles, and the creation of the World Trade Organization (WTO). However, the seven years of negotiation required to complete the Uruguay Round were an indication of the enormous difficulties that would follow in the first WTO round. After failed efforts to launch a WTO round at the 1999 Seattle ministerial, the round was launched instead at the November 2001 Doha ministerial, partly because the September 11 terrorist attacks in the United States increased the determination of major traders to reach an agreement. Nevertheless, WTO members papered over serious differences in launching the Doha Round, and there were indications that ‘this first step . . . [was] in fact the smallest one’ (The Economist, 2001: 11). Thus, the 2003 Cancún ministerial which was to mark the halfway point of the Doha Round collapsed in disarray, and senior officials were able to produce a July 31, 2004 framework agreement to continue negotiations only by phrasing sensitive issues in highly general terms (WTO, 2004).

Despite widespread recognition of problems in global trade, there is a notable lack of consensus on the source of the problems. This chapter argues that we can arrive at possible solutions only by examining the diversity of views on global trade governance. Three sets of contradictory views are of interest here. First, the WTO’s growing membership hinders expeditious decision-making versus WTO decision-making is undemocratic. Second, the North has dominated trade decision-making versus the North is providing inadequate leadership in the WTO. Third, the WTO is too powerful versus the WTO lacks authority to effectively perform its functions. The chapter concludes with suggestions for addressing these contradictory views and reforming the WTO to improve global trade governance.

## 2. THE WTO: HOW DEMOCRATIC?

Some analysts argue that WTO decision-making is hindered by the need to reach a consensus among its 150 members, while others assert that the WTO has a democratic deficit. Those who maintain that it is difficult for WTO members to reach a consensus often contrast the WTO with the International Monetary Fund (IMF) and World Bank. Whereas the WTO is a one-nation, one-vote organization, the IMF and World Bank have weighted voting, with the Group of 5 (the United States, Japan, Germany, France, and Britain) having the largest capital subscriptions and largest number of votes. Although most WTO decisions are made by consensus, 'the legal structure of potential voting' has influence because negotiation occurs 'in the context of the participants' knowledge of the likely outcome [of a vote] if the negotiation breaks down' (Jackson, 1997: 69). With small developing countries having the same number of votes as major traders, WTO decision-making could become unmanageable.

The WTO's governing councils are also plenary bodies open to every member, and it has nothing comparable to the smaller IMF and World Bank executive boards. The closest GATT came to having an executive board was the *Consultative Group of Eighteen* (CG18), established in 1975 as a representative Group of 18 countries (increased to 22 in 1985) to facilitate discussion of trade issues (Long, 1985: 51). However, the CG18 was purely consultative and was composed of senior officials from capitals that met only about three times a year. GATT members that were not in the CG18 did not receive CG18 documents and were disturbed by its lack of transparency, and the CG18 held its last meeting in 1987 (Blackhurst, 1998: 49–50, Blackhurst, 2001: 302–303). The GATT/WTO also has had informal 'green room' sessions (initially named after a conference room adjacent to the GATT Director-General's offices), limited to the Director-General and important MTN delegations. Many developing countries resented being excluded from green room sessions before the 1999 Seattle WTO ministerial, and the Director-General indicated he would try 'to move away from the Green Room, and thrash out issues in the General Council' (Preeg, 1995: 132; Schott and Watal, 2000: 285–286; Anderson, Blackhurst 2001: 1; Hoekman and Kostecki, 2001: 60–61). However, green room sessions continued in subsequent WTO ministerials.

The informal CG18 and green room sessions have been highly controversial, and calls have increased to create more transparent formal groups within the WTO to facilitate decision-making. For example, in January 2001 three former GATT/WTO Directors-General recommended that the WTO establish 'a management board' to take routine decisions, and a 'senior level policy consultancy group' to debate trade issues in a wider policy context (WTO, 2001: 7). Some analysts argue that a management board would be more acceptable than the green room sessions if it were representative of the WTO membership, transparent in its proceedings, and willing to communicate with the broader membership (Ostry, 2001: 292). However, until now, the WTO has not reached a consensus on the issue.