Emerging powers in the WTO

Beware the glass ceiling

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The “emergence”\(^1\) in recent decades of a group of large, rapidly growing developing countries—collectively known as the “BRICS”, Brazil, Russia, India, China, and South Africa—has generated a vast literature, though it is worth noting that interest in “rising” powers has not been confined to this group alone (see vom Hau, Scott and Hulme, 2012). Much of the literature has focused on the likely intentions of this group and the consequences of their emergence for established powers as well as for existing systems of global governance (Gray and Murphy, 2013). While China’s rise has elicited the largest proportion and most critical commentary (see, for example, Yee and Feng, 2002; Kaplan, 2005; Mearsheimer, 2005; Kennedy, 2010) the other members of this group have also drawn notable attention (see also Macfarlane, 2006; Hurrell, 2008; Narlikar, 2013; Taylor, 2014).

In this debate, the role of emerging powers in the World Trade Organization (WTO) has figured prominently particularly in shaping aspects of the Doha round of multilateral trade negotiations (see, for instance, Hopewell, 2015). This is perhaps unsurprising given that it has been through the realisation of trade-led growth strategies that many of these countries have “risen”. Yet it is not just that these states have experienced dramatic and enviable rates of growth in recent years that has marked them out— notwithstanding the fact that they are all now facing serious economic problems. It is also because of their control of energy supplies, importance in global food markets, dominance of production and consumption patterns, and resource acquisition strategies, among other things.

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\(^1\) For a critique of the concepts of emerging and rising powers as well as of the construction of rising power threats see Broomfield, 2003; Mawdsley, 2008; Turner, 2009.
The four preceding papers in this special issue make important interventions into debate about the role of emerging powers in the WTO. Individually they provide useful insights into the non-material and status accruing benefits of emerging power participation in the multilateral trading system (Rodrigues Vieira); the role of domestic interests in debates about dispute settlement reform (Mahrenbach); domestic and international coalition formation in agricultural trade politics (Singh and Gupta); and the role of emerging powers in brokering the first substantive deal to result from the Doha round at the WTO’s December 2013 Bali ministerial conference (Narlikar and Tussie). In combination they add further weight to a growing body of literature that perceives the actions and activities of this latest generation of emerging powers as significant but nonetheless entirely consistent with the preservation of the status quo, and which sees international institutions as important mechanisms in facilitating their “peaceful rise” (Ikenberry, 2008).

The purpose of this concluding contribution is to weave some of the insights from these papers, and the broader issues to which they speak, together with wider debate about emerging powers and the future of the multilateral trading system. Its argument is that while the actions of this group have indeed left an indelible mark on the way multilateral trade is governed—and done so mostly for the better—the current generation of emerging powers has not been able to disrupt to any significant degree the deeper structures of power that underpin the WTO and the multilateral trading system more generally. Most certainly China and India have proven to be important players in the Doha negotiations, particularly in the closing stages (as Narlikar and Tussie, Singh and Gupta, and Rodrigues Vieira, in this issue, all show). They have, however, come up against a glass ceiling that prevents their further rise and which leaves the relations of power that underpin the multilateral trading system largely intact. This ceiling is the product of a series of institutional factors that combine to facilitate alterations in the general arrangement of members one-to-another but which prevent deeper configurations of power from being disturbed. Moreover, with the recent December 2015 decision to set aside the Doha negotiations in favour of plurilateral solutions to the pursuit of trade gains agreed at the WTO’s Nairobi ministerial conference, this glass ceiling has been reinforced. The result is that while
we may have witnessed some changes in the multilateral trading system that have been brought about by the actions and activities of emerging powers, these changes have been more akin to a rearrangement of the multilateral furniture than to a fundamental transformation of that system.

The paper develops its argument in three sections. First, it explores briefly some of those institutional factors that mediated the “rise” of states in the multilateral trading system. Second, it turns to the case of China to show how this institutional mediation has affected what western commentators have generally perceived to be the most significant (and, for some, the most threatening) of the current generation of rising powers as a complement to the forensic examinations of India and Brazil provided by the other contributions to this special issue. Third, the paper reflects on how the conclusion of the WTO’s most recent Nairobi ministerial conference has fixed in place barriers to further elevation. In the final section, the paper offers some concluding comments on the role of processes of institutional socialisation and the future of the multilateral trading system.

**Institutional factors**

It is worth bearing in mind that shifting relations of power have underpinned intense periods of politicking and debate across the history of the multilateral trading system. However, these shifting relations of power have not resulted in the introduction of substantive changes to the system’s overall design, functioning or governance, though they have ushered in adjustments that lend an appearance that substantive change has been brought about. What they have produced instead is a re-arrangement of the relative position of trading powers with the most successful rising to key positions in decision-making fora, while others have fallen by the wayside.

How has this happened? The answer lies in the role that the multilateral trading system has played in shaping the behaviour of member-states in a way that has helped preserve the position of its most dominant powers while at the same time buying emerging powers into the system through a set of rules, norms and decision-making procedures.

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2 This section develops aspects of Wilkinson, 2014a.
that shape behaviour and expectations and which offer the prospect of beneficial participation through the giving of concessions.

From the outset, the multilateral trading system’s core purpose has been to aid economic growth, expansion and innovation in core countries (primarily the USA but also its industrial allies—Brown, 1950; Gardner, 1956; Wilkinson, 2006a), while at the same time offering non-core countries (their developing and least developed counterparts) the prospect of real, but inevitably smaller gain. Throughout the life cycle of the trade regime non-core countries have “risen” and have appeared to offer a challenge to the existing set of underlying power relations. This, in turn, has often resulted in the agreement of concessions designed to ensure their continued participation (Cox, 1996: 137-140; Keohane, 2002: 253; Wade, 2003: 632). At the same time, however, it has always been the case that the rules, norms, practices and decision-making procedures embodied in the trade regime have helped socialise these countries into ways of operating that have ultimately assisted in reinforcing the status quo.

Three institutional factors are important in this regard. First, the entry of states into the trade regime has been heavily policed since the General Agreement on Tariffs and Trade (GATT) was first negotiated in 1947. New entrants were either (i) “grandfathered” into the system during the institution’s early years if they were deemed to be of little economic and political significance or threat—as were the former colonies of the European powers—or else they faced exception clauses that nullified many of the benefits of membership, as was the case with Japan in 1955; or (ii) they were required to agree to significant and overly burdensome accession protocols that have become steadily more, rather than less, demanding over the institution’s lifecycle (Copelovitch and Ohls, 2012)—to which the accesses of both China and Vanuatu provide ample testimony.

Second, the conduct of trade liberalisation in periodic rounds among small groups of economically significant states has enabled the leading industrial states to open markets in areas of economic benefit. At the same time, it has enabled them to protect those of
political and economic sensitivity. This has enabled those states involved in the negotiations to accrue trade benefits and to grow their economies at relatively greater rates than those that have not been involved in such a central manner. The result has been to increase steadily over time the relative gap between the trading fortunes of the most and least significant players in world trade through the negotiation of a series of asymmetrical trade bargains across the institution’s lifetime (see Wilkinson, 2006a).

This unequal system has been consolidated further by the process by which past anomalies and imbalances are rectified. Precisely because the mechanism for accruing trade advantages requires benefits to be received for concessions given away, any rectification of the asymmetries that have resulted from prior trade negotiations can only take place by non-core states agreeing to further concessions. This, in turn, serves to actually widened rather than attenuated the gap between the advantages accrued to dominant and non-dominant states alike, generating an initial perception that rectification has been achieved but in reality creating a highly imbalanced layer-cake effect as the significance of the concessions given away is realised—as was recognised once the dust had settled after the Uruguay round (Ostry, 2007).

Third, the multilateral trading system operates without transparent and steadfast rules of organisation, operation or method, relying instead on norm and practice—as well as knowledge of how those norms and practices work—for its functioning. This extends from the selection of the head of the WTO’s Secretariat—the Director-General—to the composition of decision-making groups (which shift from one collective to another but which always comprise the USA and the EU) and the conduct of negotiations. Moreover, what codification there has been of these procedures over time has tended to entrench, rather than reform, norms and practices that continue to favour the leading industrial states. The result is that the rules of the game often lack transparency and can (and do) change as negotiations unfold (Jawara and Kwa, 2003).

Japan’s engagement with the GATT provides a good example of the experience of a previous generation emerging power and the significance of these institutional factors. Japan’s rapid industrialisation in the late 1940s and early 1950s coupled with the
relatively cheap price of its labour generated fears of that its goods would cause “market disruption” by dramatically outcompeting western products (particularly in textile and clothing production—see Patterson, 1966: 272-300). These fears, in turn, generated significant opposition towards Japan’s application to accede to the GATT despite strong US support. Much of this opposition came from the United Kingdom as the country that stood the most to lose from the removal of trade barriers. When Japan finally acceded to the GATT, 40 per cent of the contracting parties—numbering 14 at the time—invoked a non-application clause (Article XXXV) enabling them to withhold all institutional benefits. The result was to nullify the value of most-favoured-nation access into key European and other markets. Japan’s response was to try to reverse the situation by developing a legal expertise to combat what it saw as unfair discrimination. The decision to respond in this way played a significant role in shaping Japanese commercial diplomacy around what Araki Ichirō (2007) has termed an “aggressive legalism”.

What is important here is that the manner in which Japan acceded to the GATT and its experience of being part of the institution immediately thereafter shaped much of its subsequent commercial diplomacy. Rather than try to use its growing economic power as a force to change the institution—that is, to be a system challenging power—it sought instead to use existing rules and procedures as a means of securing redress. In this way, Japan’s multilateral commercial diplomacy was, from the outset, status quo orientated.

Once Japan had acceded to the GATT, its growing economic significance, combined with the economic opportunities Japan’s growth presented for western companies, ensured that during the Uruguay round its delegation was brought into the core of GATT decision-making as a member of the quadrilateral group (more commonly known as the “quad”). Japan’s entry into the “quad” was not, however, the consequence of a clear translation of rising economic power into core political influence. Rather, it was part of a strategy on the part of the USA and the EU to force Japan to begin to open up closed aspects of its domestic markets in return for a measure of political influence in the Uruguay round. Moreover, this elevated position lasted only as long as Japan’s markets (and the gains promised therein) were attractive.
It was inevitable, then, that when Japan’s economy went into relative decline after a decade of stagnation and amid the rise of other markets—particularly China—it would bring an end to its tenure at the core decision-making.

**China’s status quo-ism**

Japan’s experience in the GATT is far from an historical anomaly. We can see familiar elements when we explore the impact of institutional factors in the role China’s has played in the multilateral trading system. In exploring briefly the period since its 2001 accession to the WTO we see China’s commercial diplomacy shaped by the manner in which it was first inculcated into the multilateral trading system. We also see China being brought into the core of decision-making at a crucial moment. Yet, while its inclusion in the core of WTO decision-making was a recognition of its new found economic importance, it was also the result of a conscious decision by the established powers to use China’s inclusion as a means of generating forward movement in the as-it-was-then stalled Doha round.

From the very outset, China’s participation in the multilateral trading system has been shaped by a series of institutional factors. Although it was in principle entitled to accede to the WTO as a developing country, China’s attempts to do so were blocked by the major trading powers. Instead, it was required to give concessions that far exceeded both the obligations placed on other acceding developing countries as well as those of long-standing developing country members. This was the case, for instance, in the requirement to eliminate all agricultural export subsidies (a concession to which the WTO’s existing members only agreed at the December 2015 Nairobi ministerial conference—see Wilkinson, Hannah and Scott, 2016) and in the binding of all of tariff lines at an average level lower than comparable developing countries.

The concessions to which it was required to agree exerted a strong influence on China’s WTO trade diplomacy and helped shape a particular pattern of behaviour. The accession protocols proved unpopular domestically and were perceived as being akin to the unequal treaties China was forced to enter into with the European powers and

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3 This section develops aspects of Scott and Wilkinson, 2013.
Japan in the nineteenth and early-twentieth centuries (Loppacher and Kerr, 2005: 550). Yet, rather than seeking to use its growing economic might to bring about institutional change—in a loud echo of Japan’s case—China chose to undertake an extensive process of institutional learning and to use existing procedures to further its aims.

If we look closely at the first 15 years of China’s participation in the multilateral trading system, two distinct phases of its trade diplomacy can be identified—an early phase dating from the point of accession in 2001 to early 2008, and then a later period from July 2008 to the present day. These periods divide at the point at which China’s trade diplomacy is deemed by commentators to have moved from a relatively passive to a more aggressive mode (Bergsten, 2008; Gao, 2011) but which actually map on to what James Scott and I (2013) have argued is the growing socialisation of China into the multilateral trading system and a use of existing procedures to pursue its interests.

In the first period we observed a trade diplomacy relatively low in profile—especially when compared with India and Brazil—with strong positions exerted only over the status of the Taiwanese delegation and the perceived over-intrusiveness of Transitional Review Mechanism (TRM) put in place to monitor China’s implementation of its accession agreements. This initial period was entirely consistent with a process of institutional learning and adaptation. It was perhaps also to be expected that, as China became more familiar with WTO practices, it would take on a more active role. It is this move to a more active phase from July 2008 onwards that has prompted suggestions in the literature that China has become more aggressive and begun to show its real “intentions”. Scott and I have argued otherwise.

Exploring briefly two areas of activity enable us to see that rather than signalling a more aggressive system-challenging phase what actually resulted after July 2008 was more accurately a consolidation and acceleration of a behaviour mode set in motion by the manner in which China was inculcated into the institution. In the manner in which China conducted itself in the Doha negotiations and in making important concessions on the issue of recently acceded members only behaviour that is consistent with the preservation of the status quo is observed.
In the years immediately following its accession—which map on perfectly to the opening phase of the Doha negotiations—China resisted participation in the established process of small-group meetings (known as “green room” session). At the 2001 Doha ministerial conference, China witnessed (as an observer) the marathon green room discussions taking place in which developing country resistance to launch of what was to be the new round was slowly ground down through a process of attrition. Seeing this process, China decided that when it joined the WTO it would not engage in the green room process with the result that when it was subsequently asked to attend small group meetings it initially refused—albeit that this position was later reviewed in response to requests from other developing countries.

China played a key role in enabling a declaration to be adopted at the fractious 2005 Hong Kong ministerial conference by talking round disgruntled Latin American developing countries from blocking the declaration (Wilkinson, 2006b). Yet, despite the significance of its intervention China did not join the core decision-making group until July 2008 when it came together with the USA, EU, Japan, Australia, India and Brazil for a mini-ministerial meeting that most commentators suggest was both the closest the round came to a conclusion and the moment at which it broke down (see Narlikar and Tussie, this issue, for commentary on the role of shifts at the core of WTO decision-making and their role in Doha round deadlocks).

What is clear is that the July 2008 mini-ministerial collapsed over the issue of the Special Safeguard Mechanism (SSM—see Singh and Gupta, this issue, for further elaboration)—an element of the agriculture agreement that would, if agreed, provide developing countries with the capacity to raise tariffs when faced with a surge in imports that threatens the livelihoods of rural producers. The principal division was between the USA, which wanted higher thresholds before the SSM could be used and lower permitted tariff increases, and India which wanted a more generous mechanism. China was blamed by US delegates and by the media for taking an intransigent position and standing with India against a deal. However, interviews that Scott and I (2013) conducted with trade delegates and secretariat officials in the aftermath suggested that
this was an oversimplification. China had not simply supported India’s position. Rather, it had attempted to broker a deal between India and the USA. When this failed, China made it known that it would accept any compromise that the USA and India came to, but to no end. What is clear from this pattern of events was that China was playing entirely within established rules and norms rather than seeking to circumscribe them.

A second area where we can see China adopted a pragmatic, institutionally consistent line is in the issue of RAMs. As it had only acceded to the WTO in 2001 (the year in which the Doha negotiations were launched), and the round was originally scheduled to reach a conclusion by 1st January 2005, China held that it should be allowed to agree to a less demanding package of commitments. China’s position received little support, particularly from among the most WTO’s developed members. Yet, rather than taking a firm line and abstaining from the negotiations, China eventually showed flexibility. This entailed accepting that it would have to implement the full extent of agreed tariff cuts, albeit with a longer implementation period—behaviour that was hardly consistent with a revisionist position.

Nairobi, plus ça change
What we have seen so far, then, is that across the broad history of the multilateral trading system a series of institutional factors have facilitated, shaped and mediated the “rise” of emerging powers. These factors have helped socialise them into established ways of operating and allowed for some upward movement decision-making wise but ultimately left underlying relations of power untouched. In this way, we see that emerging powers have contributed in some measure to bringing about changes in the multilateral trading system but they have been unable—and indeed have not sought—to alter fundamentally its basic structure. What Narlikar and Tussie, and Singh and Gupta show in their papers is that one consequence of the growing involvement and elevation of emerging powers is that the Doha negotiations became contested and interspersed with protracted periods of deadlock. As Narlikar and Tussie observe, this political jostling resulted in an outcome at the WTO’s December 2013 ministerial conference and a post-conference agreement in July 2014 that illustrated the new found
decision-making role of emerging powers generally and India in particular (see, also, Wilkinson, Hannah and Scott, 2014; Wilkinson, 2015).

If what we have seen is a series of institutional factors that shape the behaviour of emerging powers such that they are socialised into the multilateral trading system in ways that mitigate system-challenging behaviour, how is their further rise prevented? One way is through their incorporation into a decision-making fora in a manner that recognises their significance in global trade but which does not offer them the kind of veto power that the USA and EU have. Another is to change the terms of reference for negotiations such that they are effectively excluded. The conclusion of the Uruguay round illustrates well how despite the inclusion of Japan and Canada as the other members of the quad, it was US and EU agreement that ultimately drew the round to a close (Wilkinson, 2006a: 91-93). The deal brokered at the WTO’s December 2015 Nairobi ministerial conference is the most recent example of a change in the terms of reference acting as an exclusionary device.

While it is the case that India and China are now members of the Group of 5 key decision-makers in the WTO, the outcome of the organisation’s subsequent December 2015 Nairobi ministerial conference has undermined the significance of that position installing a glass ceiling that has cut both out of having a major say in the post-Nairobi trade agenda. The agreement reached in Nairobi transforms fundamentally the framework for conducting trade negotiations for the first time in the WTO’s history moving it away from one targeted at broad-based universal deals via a “single undertaking” as the Doha declaration had envisaged to something more lithe and multi-faceted. This transformation was widely seen as a necessary component of rekindling faith in the organisation’s negotiating function and an important counter to “mega regional” trade deals such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). However, reinvigorating the WTO’s negotiating function came at the expense of the Doha round and efforts to agree to a wide-ranging multilateral deal on trade measures for development that has

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4 This section draws on Wilkinson, Hannah and Scott, 2016.
been a key demand of developing countries and which has been crucial to securing their participation in the multilateral trading system.

Nairobi also saw members utilise a new mode of negotiation. This new mode built consensus through a complex multi-layered series of bilateral processes in behind-the-scenes meetings targeting the least contentious issues first, thereby generating willingness and commitment before moving on to thornier topics. Dubbed “critical mass” because of the broad-based participatory and consultative approaches that are key components, this method targeted blockages in the negotiations by encouraging counter-proposals and dialogue with opponents. It was universally praised at the meeting and was seen as crucial in helping bridge the significant pre-ministerial gaps that had existed between members as well as to the conclusion of an agreement. Elements of this approach have been used before, and older more familiar small group and power-political methods were deployed in the closing stages of the ministerial conference. Nonetheless, Nairobi witnessed the first time critical mass had been used as a wide-ranging mode of negotiation. What is also clear is that while the package of trade measures agreed in Nairobi may have comprised agreements in agriculture and on least-developed country (LDC) issues as well as an expansion in the 1996 Information Technology Agreement (ITA) the balance of these measures clearly favoured the developed countries and continued the long-standing pattern of asymmetrical deals being negotiated.

In combination, these outcomes mark the beginning of a critical juncture likely to signal a new phase in the evolution of the multilateral trading system. While the use of a critical mass negotiating mode brought greater participation and consensus into the core of the Nairobi talks and was a clear advance over the conduct of previous negotiations, ironically it also resulted in an agreement that enabled the leading industrial members to move away from the pursuit of universal agreements wherein a balance of concessions is required that are acceptable to all members to one where they are more able to focus on narrow piecemeal deals and to exclude troublesome states. This approach to negotiating has a long-standing history in multilateral trade and its return signals a move back to a more “mini-lateral” exclusionary mode of agreeing trade
deals that were a feature prior to the Uruguay round (Wilkinson, 2006a). It also sets aside the pursuit of single undertakings which, through the insistence on “nothing being agreed until everything is agreed”, was the primary means by which emerging powers were able to withstand and temper the ability of the USA and EU to dominate negotiations. Moreover, the balance of the Nairobi package preserves a longstanding feature of GATT/WTO negotiations which has consistently seen deals struck that favour the organisation’s developed members. The transformation of the WTO’s negotiating function into a more streamlined machinery is likely to preserve rather than attenuate this pattern.

It is also noteworthy that Nairobi witnessed the grand and multiple coalitions evident during the earlier stages of the Doha negotiations—and which had evolved from the late GATT period—no longer have the same salience or traction that they had in previous ministerial conferences. This is perhaps a consequence of the growing perception—as Singh and Gupta conclude (this issue)—that these coalitions have played a roll in the deadlocks that have characterised the Doha round and which have contributed to the negotiations being set aside. This is not to say that coalitions have disappeared (both the G33 and the Cairns group of agricultural exporting countries were active in Nairobi for instance). Rather, it is to suggest that their cohesion may have been eroded by changes in the global economy and—on the part of lesser-developed, smaller, and more vulnerable members—a growing acceptance that it no longer makes sense to treat developing countries as one large group.

Concluding comments
Where does this leave us? If we should take anything away from this concluding essay it is perhaps that a better appreciation of the mediating effect of institutions like the WTO is required to understand how and why emerging powers behave in the way that they do. Of particular note is the impact of the socialisation of emerging powers—current and historic—into the trade regime not only because it helps us understand better different forms of commercial diplomacy but also because it illustrates what is and what is not system-challenging behaviour. It might also be worth noting that
institutions like the WTO have shown remarkable qualities in helping stabilise the relations of power that are their underpinnings.

We now enter a period in which the future for the WTO and the multilateral trading system is unclear. Most certainly the Nairobi outcome will energise the multilateral system by enabling the leading industrial states to pursue trade gains via plurilateral and other means. In this, emerging powers will find themselves frozen out (as TPP does with regard to China in the Pacific) and/or isolated from the coalitions that were important in boosting their negotiating power in the Uruguay and Doha rounds. The setting aside of the Doha round will also mean that there is now very little compunction for developed countries to focus on negotiations that are of specific interest to their developing—particularly their least developed—counterparts. All we can now hope for is that members make good on their commitment to pursue development gains by means other than the Doha commitments and that a process of reform is put in place that alters fundamentally how trade gains are distributed by the multilateral system (Wilkinson, 2014b). Yet, what we also know from the history of the multilateral trading system is that it has so far proven remarkably resilient to change. Even when confronted with significant internal shifts in power relations among member states neither reform, nor development gain for its own sake, has been forthcoming. Perhaps it is time to look elsewhere.
Bibliography


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