The G – 20:
Aims and Perspectives of a New Trade Alliance

by

Marcio Botelho

ISBN: 1-58112- 300-0

DISSERTATION.COM

Boca Raton, Florida
USA • 2005

The G – 20: Aims and Perspectives of a New Trade Alliance

Dissertation.com
Boca Raton, Florida
USA • 2005

ISBN: 1-58112- 300-0

The G - 20:
Aims and Perspectives of a New Trade Alliance

Marcio Botelho

I am indebted to Trevor Evans for suggesting the general topic and for numerous helpful comments.

Table of Contents

List of Figures

List of Tables

1 Introduction

The World Trade Organization (WTO) administers trade agreements negotiated by its members, which are representatives of almost all governments in the world. A trade agreement can directly affect a person's life. On the one hand, it can boost a country's exports or reduce local prices of goods and thus it causes increasing employment and consumption. On the other hand, it can act in the opposite way and, as a result, people's well-fare is reduced. Particularly, the agreements negotiated in the WTO are extremely powerful. The Organization possesses mechanisms like trade sanctions to enforce its resolutions in case it is realized that a member country violates trade agreements. Therefore, it is not easy for a member country to infringe an agreement, even if it understands that such agreement has made the nation worse off.

This situation, however, should benefit developing countries. They form the majority of the WTO members and the major resolutions in the Organization are usually made by consensus. Hence, one can expect that the decisions tend to favor these nations. Nevertheless, this has not been happening and one of the main reasons of that is the inefficacy of developing countries toward jointly asking their claims in the WTO. The coalitions which they build typically have a short life and do not produce results.

Nonetheless, a specific coalition of developing countries seems to have a different destiny. The alliance, named the G-20, focuses on agriculture which is certainly the most difficult sector in which one can obtain concessions from developed countries. Therefore, by being formed by developing countries and by focusing on agriculture, when the coalition was created in 2003 many predicted that the group would track the usual fate of developing country alliances and thus it soon would cease to exist.

However, hitherto, the G-20 has been able not only to survive but also to solidify its influence. This is a remarkable fact in terms of developing country blocs, which makes it important to analyze the G-20 even if the group does not become a long-term coalition.

Given this frame, this paper searches for answers for the following questions: How has the G-20 been able to maintain its unity? Which strategies has the coalition been using to strengthen its influence? Whither the G-20?

The paper is organised as follows. Firstly, a briefly exposition of the most influential trade theories is presented. The theories are grouped in two main views, namely protectionism and free-trade. A country's trade policy has been characterized by adoption of recommendations based on these concepts. Consequently, one has to understand them in order to comprehend trade policies and its discussions in the WTO. Secondly, the history and basic principles of the WTO and its predecessor, the General Agreement on Tariffs and Trade (GATT), are summarized. The chapter also stresses the main shortcomings in the WTO as regards developing country participation in the Organization. Thirdly, chapter four provides the historical context on G-20's origins and assesses the agricultural sector. Issues related to the sector were the original reason for the establishment of the group and have been its main focus. The chapter then deals with the role of the coalition during the unsuccessful WTO meeting which took place in Cancun in 2003 addressing to what extent the group contributed to the failure of the meeting. Fourthly, chapter five describes the external pressures the member countries of the G-20 have suffered with the aim of dividing the group. Subsequently the chapter presents some of the huge heterogeneities among the alliance's members. The existence of differences in a coalition causes many times internal divisions which can break apart the alliance. The chapter investigates how the G-20, even possessing enormous internal disparities and being target of external pressure, has been able to keep its cohesion. Finally, the conclusion provides the author's own analysis concerning the future of the coalition.

2 Protectionism and Free-Trade

Trade policy has been characterized by adoption of recommendations based on two antagonist views, namely protectionism and free-trade. No country has fully adopted the propositions of one or other view. Indeed, a country's trade policy incorporates elements of both.

2.1 Protectionism

Until the eighteenth century the predominant view concerning trade was provided by mercantilist authors. Nowadays, mercantilism is often neglected in the teaching of economics as one can notice by an almost absence of mercantilist ideas in most undergraduate trade textbooks. Nevertheless, understanding mercantilism is very important as mercantilist views are present nowadays not only in government policies (Moon 2000, p.35) but also in practices and language of the GATT (Kenen 2000, p.215) and the WTO.

The mercantilists were western Europeans (particularly British) writers on international trade from the sixteenth, seventeenth and eighteenth century. They emphasized the role of foreign trade as means of increasing a country's wealth, which, according to them, would be determined by the stock of money (bullion, i.e. silver and gold). Thus, their policy recommendation focused on reaching constant balance of trade surpluses by promoting exports and discouraging imports. As Thomas Mun (1664 cited Kennen 2000, p.8) wrote: "The ordinary means therefore to increase our wealth and treasure is by *Forraign Trade*, wherein wee must ever observe this rule; to sell more to strangers yearly than wee consume of theirs in value".

Their view must be understood in a historical context. They were "concerned with a practical problem—establishing and consolidating royal authority at home and abroad … they identified the nation with the crown … [which] was challenged at home by the old nobility, whose power derived from its feudal right to raise both revenues and armies from the countryside … [and] abroad by the rivalry for empire in the New World" (Kenen 2000, p.7 f.). Consequently, the acquirement of bullion was essential in order to establish and maintain military power.

Adam Smith in 'Wealth of Nations' (Smith 2003 [1776], book IV chapter I) adopted the term mercantilist as a term of abuse and since then the term has been used in such a way. Nonetheless, others authors like Keynes considered the mercantilists in a better view. About them Keynes (1987 [1936], chapter 23) wrote: "… as a contribution to statecraft, which is concerned with the economic system as a whole and with securing the optimum employment of the system's entire resources, the methods of the early pioneers of economic thinking in the sixteenth and seventeenth centuries may have attained to fragments of practical wisdom … in their intense preoccupation with keeping down the rate of interest by … maintaining the domestic stock of money and by discouraging rises in the wage-unit...The mercantilists were aware of the fallacy of cheapness and the danger that excessive competition may turn the terms of trade against a country … Mercantilists were conscious that their policy, as Professor Heckscher[1] puts it, 'killed two birds with one stone'. 'On the one hand the country was rid of an unwelcome surplus of goods, which was believed to result in unemployment[2], while on

[1] Keynes referred to the work of Eli Heckscher, *Mercantilism (o*riginally published as *Merkantilisment: Ett led i den ekonomiska politikens historia*. Stockholm: P.A. Norstedt and Söner, 1931.)

[2] The core difference between Keynes' view and neoclassical author's view concerning this topic rests on the full-employment assumption of the latter contested by the former, who saw that as a exception rather than as a natural market situation.

the other the total stock of money in the country was increased', with the resulting advantages of a fall in the rate of interest".

The mercantilists' ideas were incorporated and developed in the late eighteenth and nineteenth centuries by writers like Alexander Hamilton and Friedrich List. In 1791, the former, in his *Report on the Subject of Manufactures,* stressed the superiority of manufacturing over agriculture (Gilpin 1987, p.180). According to Hamilton (1928 [1791], p.284), "every nation … ought to endeavor to possess within itself, all the essentials of national supply … [which] comprise the means of subsistence, habitation, clothing and defense". Fifty years later, analyzing Great Britain, List (1909 [1841], p.31) argued that a country develops 'thanks to' and not 'in spite of' protection. According to him, a new industry cannot compete with long established ones because of start-up costs of the former and economies of scales and higher productivity of the latter. Hence, he advocated protection[3] in the early stages of industrialization. This concept became known as the "infant industry" argument. Both authors provided a theoretical fundament which in the 1950s evolved to the so-called "dependency theory".

Dependency theory views the world in terms of center and periphery countries. The former are high income countries characterized by rich and homogeneous societies with diversified technological industries and positive terms of trade.[4] The latter, periphery countries, are low income countries formed by dual societies (a few rich and a majority of poor) and economically dependent on exports of raw materials. According to some

[3] "The system of protection, inasmuch as it forms the only means of placing those nations which are far behind in civilization on equal terms with the one predominating nation (which, however, never received at the hands of Nature a perpetual right to a monopoly of manufacture, but which merely gained and advance over other in point of time), the system of protection regarded from this point of view appears to be the most efficient means of furthering the final union of nations, and hence also of promoting true freedom of trade" (List 1909 [1841], p.51).
[4] Terms of trade refers to the ratio of the prices of a country's exports to the prices of its imports.

studies, of which one of the most influential was published by Raul Prebrisch in 1949[5], this dependency on raw material exports would make the periphery countries vulnerable to a deterioration in the terms of trade.[6] In order to solve this situation the advocates of dependency theory recommended a policy in which the state plays a strong role in periphery countries promoting industrialization through import-substitution. The infant industry argument should be taken into consideration and, as a consequence, barriers to imports from center countries should be established. Additionally, commerce amongst periphery countries should be stimulated. This policy was adopted from the 1950s to the 1970s mainly in Latin America but also in Asia.

2.2 Free-Trade

Free trade theory in its different formulations rests "upon the belief that economic specialization produces gains in productive efficiency and national income … [and] that trade enlarges consumption possibilities … thus has beneficial effects on both the demand and the supply sides of the economy" (Gilpin 1987, p.172 f.). The main theoretical concept is comparative advantage, which is used for instance by the WTO to justify and incentive freer trade.[7] The concept provides an "intellectual rationale" for free-trade policies, which is necessary because "whatever the larger efficacy of the policy, free trade is always costly to groups that have prospered under any prior trade restriction" (MacEwan 1999, p.32).

[5] "El Desarrollo Económico de la América Latina y alguno de sus principales problemas" (Latin American Economic Development and Some of Its Main Problems) in El Trimestre Economico 35 (1), Nº 137.

[6] According to Singer the reason of deterioration in terms of trade for developing countries lies mainly in both lower price elasticity of demand and lower income elasticity of demand of primary commodities in comparison to manufactures as well as it lies in a technological superiority embodied in developed countries products, which encompass innovation rents (Singer 1950, pp.473-85).

[7] Among other examples, this can be seen in the introductory WTO manual (WTO 2003a p.13 f.).

Comparative advantage, however, was not the first concept to raise questions about the then dominant mercantilist ideas of the eighteenth century. In the 1752 work *Of the Balance of Trade*[8] David Hume provided a "scientific" argument against the mercantilists' view. He used the quantity theory of money in his "specie-flow-doctrine", the earliest version of the monetary approach to the balance of payments (Kennen 2000, pp.393-5). Hume stated that there is an automatic monetary mechanism which balances trade. According to him, when a country runs a trade surplus an inflow of species (money) occurs, leading to a higher price level and a consequent loss of international competitiveness, which causes a decline in this country's exports. The opposite would occur when a country runs a trade deficit. Thus, following Hume's reasoning, mercantilists' trade policies are ineffective.

About two decades later Adam Smith in *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) pointed out that a nation's wealth is economic growth and not accumulation of money as advocated by mercantilists. According to him, economic growth is acquired through enhanced efficiency (division of labor), which depends on the scale of the market. Extending this view to international trade, Smith advocated that countries should specialize in production of the commodities in which they use less labor in comparison with others (absolute advantage) and trade. As a result, according to him, it would be possible for countries to increase the scale of markets for their commodities and consequently their wealth.[9]

---

[8] In *Essays, Moral, Political and Literary.*

[9] In the same year of the *Wealth of Nations* a French philosopher, Etienne Bonnot, Abbé de Condillac, published *Commerce and Government* (*La Commerce et le Gouvernement Considérés realtivement l'un à l'autre*), which supported trade among nations without barriers. In comparison with Smith's work Bhagwati considered *Commerce and Government* "a far more elegant and sharp statement of this case [free trade]" (Bhagwati 2001, p.3).

In 1817 the British businessman and economist David Ricardo provided an even stronger case for free trade, namely the concept of comparative advantage.[10] In his *On the Principle of Political Economy and Taxation,* using the example of Portuguese wine and English cloth, Ricardo argued that even a country with no absolute advantage can benefit from trade. According to him, Portugal could produce both wine and cloth more efficiently than England. However, even possessing absolute advantage in production of both commodities, Portugal would gain more specializing in production of wine and importing cloth from England once Portugal could produce wine even more cheaply than cloth. Conversely, England, even possessing absolute disadvantage in both commodities, by specializing in the commodity in which its absolute disadvantage was smaller, i.e. cotton, and importing wine from Portugal would also gain from trade.

According to Ricardo (1821 [1817], chapter. 7), "[u]nder a system of perfectly free commerce, each country naturally devotes its capital and labour to such employments as are most beneficial to each. This pursuit of individual advantage is admirably connected with the universal good of the whole. By stimulating industry, by regarding ingenuity, and by using most efficaciously the peculiar powers bestowed by nature, it distributes labour most effectively and most economically while, by increasing the general mass of productions, it diffuses general benefit, and binds together by one common tie of interest and intercourse, the universal society of nations throughout the civilized world. It is this principle which determines that wine shall be made in France and Portugal, that corn shall be grown in America and Poland, and that hardware and other goods shall be manufactured in England."

[10] Some authors argue that James Mill and Robert Torrens stated the concept prior to Ricardo (Rothbard 1995, pp.96–98).

In a historical context Ricardo was particularly interested in providing elements for the defeat of the Corn Laws, as the laws which imposed tariffs on imported grains to Great Britain were known. The Corn Laws directly benefited the rural aristocracy but were against the interests of the new class of capitalist factory owners[11], whom Ricardo supported.[12] Ricardo's influence may be seen by what Keynes (1987 [1936], chapter III) wrote: "Ricardo conquered England as completely as the Holy Inquisition conquered Spain". Indeed, in 1846 the Corn Laws were repealed and Great Britain adopted a policy of freer trade until the depression of the 1930s (Kenen 2000, p.235). Even though Ricardo's model suffered restatements and developments, like the Heckscher-Ohlin model (discussed below), it remains as the strongest theoretical justification for free-trade. Nevertheless, Ricardo's model was based on a number of assumptions such as constant return to scale, production of traded goods in both countries, full employment of resources (capital, labor and land), international immobility of factors of production (labor and capital), trade account balance and its belief that the two-county model was also valid for many countries (Hudson 1992, pp.120-32; Robinson 1980, pp.14-19; Gilpin 1987, p.174 f.).

Ricardo assumed a country's comparative advantage as given. An attempt to explain the origins of a country's advantage—and thus the pattern of a country's specialization—was provided in the 1920s and the 1930s by the economists Eli Heckscher and Bertil Ohlin. Their theory was controversial and many empirical studies seem to indicate that the theory does not correspond to reality. However, it is important to understand what they proposed because it has been used to justify the existing international division of production. Assuming, in addition to Ricardo's model's assumptions, two countries

[11] Cheaper imported grains would produce cheaper food and consequently a possibility of cheaper wages as food was the base of labor consumption.
[12] It is interesting to notice that Ricardo fought against the Corn Laws even profiting from them once he was, besides a stockbroker, also a landowner.

with the same technology and tastes (same indifference curves), two products and two factors of production (capital and labor), the Heckscher-Ohlin theory states that each country produces the product which is intensive in the abundant factor in this country. This theory evolved to what is known as the Heckscher-Ohlin theorem (HOT), which affirms that a country exports the commodities which use intensively a country's relatively abundant factor and imports the commodities which use intensively a country's relatively scarce factor (Blaug 1992, p.185). Therefore, according to the theory, the main determinant of comparative advantage in international trade is relative factor endowments. Precisely, the factors a country possessed at its production's start-up. A resulting conclusion (or policy) is that developing countries have specialized (or should specialize) in the production of labor-intensive commodities, which is an abundant factor for them, whereas developed countries have specialized (or should specialize) in the production of capital-intensive commodities, which is an abundant factor for them. This conclusion would provide a reason for international division of production.

An even stronger case for free trade was provided by Paul Samuelson in a corollary of the HOT, which is known as "factor-price-equalization theorem" or Heckscher-Ohlin-Samuelson theorem (HOS).[13] According to Samuelson, international trade would lead to an equalization of returns to homogeneous factors in different countries. For instance, according to the HOS, when there are no trade barriers or transport costs, labors with similar characteristics (training, skill and productivity) would have equal wages throughout the countries due to trade. However, both the HOT and the HOS have

[13] Recently Samuelson published an article in which, even continuing to defend free trade ("even where a genuine harm is dealt out by the roulette wheel of evolving comparative advantage in a world of free trade, what a democracy tries to do in self defense may often amount to gratuitously shooting itself in the foot"), he presented a case when "productivity gain in one country can benefit that country alone, while permanently hurting the other country by reducing the gains from trade that are possible between the two countries" (Samuelson 2004, pp.135-46).

suffered many criticisms. The first criticism to the former appeared in a study conducted by Wassily Leontief with data from the United States (hereafter US) after the Second World War.[14] According to the study, US imports were more capital intensive than US exports. As the US was a capital abundant country the study contradicted the HOT and thus it became known as "Leontief's paradox". Empirical studies also seem to contest the HOS as convergence of real wages among countries in presence of trade has occurred only for some countries. Furthermore, the HOT does not explain trade among countries with similar endowments. In fact, until the 1980s this large portion of international trade, i.e. among countries with similar endowments and intra-industry, possessed no justification within the free-trade theories. This justification was claimed to be explained by the so-called "new trade theories".[15]

The new trade theorists argued that the theories which claimed free trade as the best policy were based on incomplete or unrealistic assumption, in particular the assumption of constant returns to scale. Therefore, they would not be able to explain intra-industry trade, which would be based on economies of scale and product differentiation[16] (Krugman 1979, pp.1-18). In the presence of economies of scale and thus imperfect competition (monopolistic or oligopolistic competition), according to the new trade theorists, there is a role for governmental intervention or a "strategic trade policy". Such a policy would be able to produce more benefits for a country than a policy of free trade would produce (Krugman 1986, p.12). Hence, one can ask whether the new trade theorists were in favor of some form of government intervention. The answer is "no". Even though they assumed possible gains by pursuing a strategic trade policy and

[14] Leontief, Wassily. 1954. "Domestic Production and Foreign Trade: The American Capital Position Reexamined" in Economia Internazionale (February 1954).

[15] Some find the term "new" inappropriate as they claim that in the 1940s Nicholas Kaldor had already identified much of the arguments presented in the so-called new trade theories in the 1980s.

[16] "Trading countries can specialize in the production of different goods, achieving increased scale of production while maintaining or increasing the diversity of goods available" (Krugman 1987, p.134).

classified comparative advantage as an incomplete model of trade, the new trade theorists accepted that free trade is the right policy. It occurs, according to them, because of limited benefits of interventions caused by a lack of the needed knowledge of an economy in order to produce an optimal interventionist policy. Furthermore, interventionist policies could lead to adverse consequences such as retaliations and trade wars (Krugman 1987, pp.131-44).[17]

[17] Some initial policy conclusions of the new trade theorists were criticized by traditional free trade advocates in similar terms (Bhagwati 1991, chapter 1).

3 The WTO and the GATT

The World Trade Organization (WTO) is a Geneva based international organization which administers trade agreements negotiated by its members. Nowadays, at the WTO rules agreements in many areas such as trade in agriculture, intellectual property rights, services and textile are negotiated.

3.1 History and Basic Principles

The WTO was established on 1 January 1995. However, since 1947 the international trading system has operated under the rules of an agreement: the General Agreement on Tariffs and Trade (the GATT). This agreement was intended to be a prelude to an organization, the International Trade Organization (ITO), which would act as a third "Bretton Woods" institution dealing with international trade issues.[18] The ITO Charter was agreed at a United Nations Conference on Trade and Employment in Havana in March 1948. Nevertheless, the ITO was never established because of political opposition, mainly from the US Congress. Therefore, even though it was provisional, the GATT remained responsible for governing international trade for 48 years (Krugman/Obstfeld 2003, pp.237-241 and WTO 2003a pp.9-18).

The GATT system worked through trade rounds, i.e. a process in which a large group of countries negotiate a set of trade related subjects. Eight trade rounds occurred before the establishment of the WTO as showed in Figure 1. The eighth round, known as the Uruguay Round, decided on the creation of the WTO. The main changes with the establishment of the WTO were the replacement of a provisional agreement by an

[18] Bretton Woods was the site in the US of the 1944 conference that established the World Bank and the International Monetary Fund (IMF). The name is usually applied to these institutions (as well as to the WTO) and the international economic system that they govern (Moon 2000, p.253).

Year	Place/name	Subjects covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960–1961	Geneva (Dillon Round)	Tariffs	26
1964–1967	Geneva (Kennedy Round)	Tariffs and anti-dumping measures	62
1973–1979	Geneva (Tokyo Round)	Tariffs, non-tariff measures, "framework" agreements	102
1986–1994	Geneva (Uruguay Round)	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc	123

Figure 1: GATT Trade Rounds[19]

international organization[20]; the inclusion of other issues besides goods, such as rules on trade in services (the General Agreement on Trade in Services (GATS)) and on the application of international property rights (the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)); and the establishment of a new "dispute settlement" procedure aiming at solving the disputes among members in a shorter time. The WTO's structure as on 2003 is shown in Figure 2.

The WTO maintained the main principles of the former GATT system. The most relevant are (Hoekman 2002, pp.42-44):

- The "most-favored-nation" principle (MFN), which is intended to prevent member countries from discriminating between trading partners (if a grant is offered to a country it must be extended to all member countries)[21];
- The national treatment principle, which establishes that an imported product, service or item of intellectual property, after entering in a market, should be subject to the same regulation as a local one[22];

[19] Source: WTO 2003a, p.16.
[20] GATT remains to exist, but as a WTO's umbrella treaty for trade in goods (in fact, part of the original GATT was updated after the Uruguay Round).
[21] The MFN does not apply in certain situations such as when there is a free trade area or a custom union, when special access is offered to certain developing countries and when a country raises its barriers against products that are considered to be traded unfairly.
[22] The MFN and the national treatment principles together form the nondiscrimination principle.

- The reciprocity principle, which claims a balance between the benefits a nation receives and the concessions a nation offers[23] (Moon 2000, p.93).

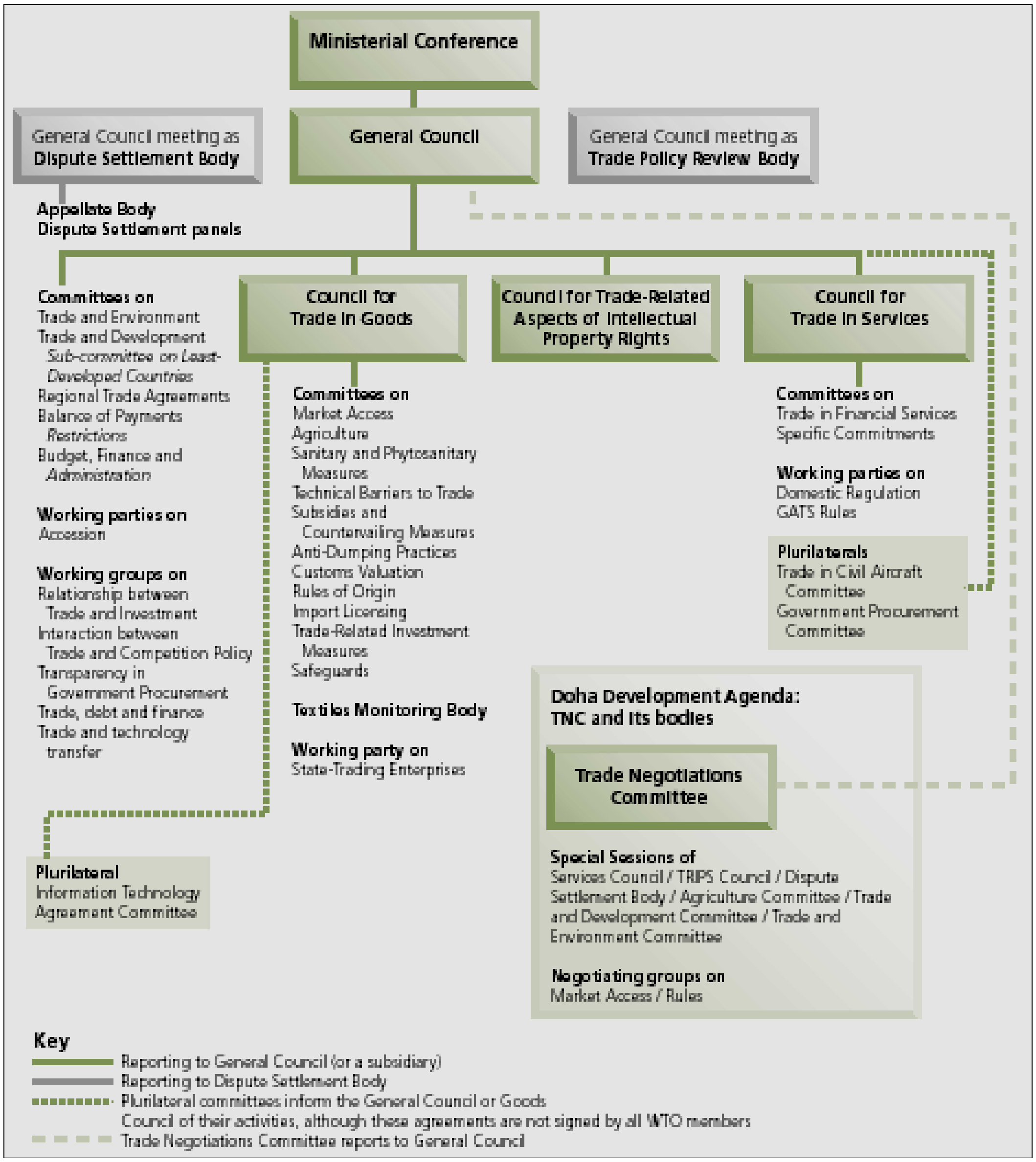

Figure 2: The structure of the WTO[24]

Furthermore, the WTO differs from the most known international institutions once it includes mechanisms like trade sanctions to enforce its decisions in case it is understood

[23] In reality, "reciprocity in negotiations is a motivation and an objective, not a criterion" as the rules do not define a standard against which to evaluate whether an outcome of a negotiation is "balanced" or not (Finger/Winters 2002, pp.50-59).

[24] Source: WTO 2003a, p.103.

that a member country violates trade agreements. The tariffs commitments made by the WTO's members in negotiations and accession are "bound" and cannot be raised or subject to nontariff barriers without negotiating compensations (there are some specific circumstances or "safety valves" where a government is allowed to restrict trade, such as due to public health or national security problems, when imports have been subsidized or dumped or when a serious balance of payment deficit occurs).

The WTO's decision system also differs from most international institutions like the International Monetary Fund (IMF) or the World Bank where decisions occur through delegation to a board of directors or the organization's head. The major decisions in the WTO are usually made by consensus, but also by voting[25], during "Ministerial Conferences" (meetings that take place at least once every two years involving all WTO members) or during meetings among members' ambassadors or delegates.

Yet, even having rules that allow an equitable decision system a perception that the decisions taken at the GATT and the WTO systems have been prejudicial to developing countries started to arise among these countries mainly after the Uruguay Round. This apparent contradiction, once developing countries form the majority of the WTO members as seen in Figure 3, is explained mainly by two reasons: the system of decision-making in practice (including informal and small group meetings) and the nature of some decisions.

[25] Voting might occur for an interpretation of a multilateral trade agreement; to waive an obligation imposed on a particular member by a multilateral agreement; to amend provisions of the multilateral agreements; and to admit a new member. There should be at least a three quarters majority voting of WTO members (WTO 2003a, p.102).

Albania 8 September 2000 (n)
Angola 1 December 1996 (g)
Antigua and Barbuda 1 January 1995
Argentina 1 January 1995
Armenia 5 February 2003 (n)
Australia 1 January 1995
Austria 1 January 1995
Bahrain 1 January 1995
Bangladesh 1 January 1995
Barbados 1 January 1995
Belgium 1 January 1995
Belize 1 January 1995
Benin 22 February 1996 (g)
Bolivia 13 September 1995 (g)
Botswana 31 May 1995 (g)
Brazil 1 January 1995
Brunei Darussalam 1 January 1995
Bulgaria 1 December 1996 (n)
Burkina Faso 3 June 1995 (g)
Burundi 23 July 1995 (g)
Cameroon 13 December 1995 (g)
Canada 1 January 1995
Central African Republic 31 May 1995 (g)
Chad 19 October 1996 (g)
Chile 1 January 1995
China 11 December 2001 (n)
Colombia 30 April 1995 (g)
Congo 27 March 1997 (g)
Costa Rica 1 January 1995
Côte d'Ivoire 1 January 1995
Croatia 30 November 2000 (n)
Cuba 20 April 1995 (g)
Cyprus 30 July 1995 (g)
Czech Republic 1 January 1995
Democratic Republic of the Congo 1 January 1997 (g)
Denmark 1 January 1995
Djibouti 31 May 1995 (g)
Dominica 1 January 1995
Dominican Republic 9 March 1995 (g)
Ecuador 21 January 1996 (n)
Egypt 30 June 1995 (g)
El Salvador 7 May 1995 (g)
Estonia 13 November 1999 (n)
European Union 1 January 1995
Fiji 14 January 1996 (g)
Finland 1 January 1995
Former Yugoslav Republic of Macedonia 4 April 2003 (n)
France 1 January 1995
Gabon 1 January 1995
Gambia 23 October 1996 (g)
Georgia 14 June 2000 (n)
Germany 1 January 1995
Ghana 1 January 1995
Greece 1 January 1995
Grenada 22 February 1996 (g)
Guatemala 21 July 1995 (g)
Guinea Bissau 31 May 1995 (g)
Guinea 25 October 1995 (g)
Guyana 1 January 1995
Haiti 30 January 1996 (g)
Honduras 1 January 1995
Hong Kong, China 1 January 1995
Hungary 1 January 1995
Iceland 1 January 1995
India 1 January 1995
Indonesia 1January 1995
Ireland 1 January 1995
Israel 21 April 1995 (g)
Italy 1 January 1995
Jamaica 9 March 1995 (g)
Jordan 11 April 2000 (n)
Japan 1 January 1995
Kenya 1 January 1995
Korea 1 January 1995
Kuwait 1 January 1995
Kyrgyz Republic 20 December 1998 (n)
Latvia 10 February 1999 (n)
Lesotho 31 May 1995 (g)
Liechtenstein 1 September 1995 (g)
Lithuania 31 May 2001 (n)
Luxembourg 1 January 1995
Macao, China 1 January 1995
Madagascar 17 November 1995 (g)
Malawi 31 May 1995 (g)
Malaysia 1 January 1995
Maldives 31 May 1995 (g)
Mali 31 May 1995 (g)
Malta 1 January 1995
Mauritania 31 May 1995 (g)
Mauritius 1 January 1995
Mexico 1 January 1995
Moldova 26 July 2001 (n)
Mongolia 29 January 1997 (n)
Morocco 1 January 1995
Mozambique 26 August 1995 (g)
Myanmar 1 January 1995
Namibia 1 January 1995
Netherlands — including **Netherlands Antilles** 1 January 1995
New Zealand 1 January 1995
Nicaragua 3 September 1995 (g)
Niger 13 December 1996 (g)
Nigeria 1 January 1995
Norway 1 January 1995
Oman 9 November 2000 (n)
Pakistan 1 January 1995
Panama 6 September 1997 (n)
Papua New Guinea 9 June 1996 (g)
Paraguay 1 January 1995
Peru 1 January 1995
Philippines 1 January 1995
Poland 1 July 1995 (g)
Portugal 1 January 1995
Qatar 13 January 1996 (g)
Romania 1 January 1995
Rwanda 22 May 1996 (g)
Saint Kitts and Nevis 21 February 1996 (n)
Saint Lucia 1 January 1995
Saint Vincent & the Grenadines 1 January 1995
Senegal 1 January 1995
Sierra Leone 23 July 1995 (g)
Singapore 1 January 1995
Slovak Republic 1 January 1995
Slovenia 30 July 1995 (g)
Solomon Islands 26 July 1996 (g)
South Africa 1 January 1995
Spain 1 January 1995
Sri Lanka 1 January 1995
Suriname 1 January 1995
Swaziland 1 January 1995
Sweden 1 January 1995
Switzerland 1 July 1995 (g)
Chinese Taipei 1 January 2002 (n)
Tanzania 1 January 1995
Thailand 1 January 1995
Togo 31 May 1995 (g)
Trinidad and Tobago 1 March 1995 (g)
Tunisia 29 March 1995 (g)
Turkey 26 March 1995 (g)
Uganda 1 January 1995
United Arab Emirates 10 April 1996 (g)
United Kingdom 1 January 1995
United States 1 January 1995
Uruguay 1 January 1995
Venezuela 1 January 1995
Zambia 1 January 1995
Zimbabwe 3 March 1995 (g)

Observers

Algeria
Andorra
Azerbaijan
Bahamas
Belarus
Bhutan
Bosnia and Herzegovina
Cambodia
Cape Verde
Equatorial Guinea
Ethiopia
Holy See (Vatican)
Kazakhstan
Lao People's Democratic Republic
Lebanese Republic
Nepal
Russian Federation
Samoa
Sao Tome and Principe
Saudi Arabia
Serbia and Montenegro
Seychelles
Sudan
Tajikistan
Tonga
Ukraine
Uzbekistan
Vanuatu
Viet Nam
Yemen

Note: With the exception of the Holy See, observers must start accession negotiations within five years of becoming observers.

Figure 3: WTO members and observers as on 4 April 2003[26]

3.2 Informal Meetings

Despite having a decision-making system based on consensus and voting, in reality there are some controversial practices in the WTO decision-making process. Firstly,

[26] "g" = the 51 original GATT members who joined after 1 January 1995; "n" = new members joining the WTO. Nepal became a member on April 23, 2004 and Cambodia became a member on October 13, 2004 (WTO 2003a, p.112).

most of the negotiations are conducted in Geneva. Therefore, it is important for members to have a mission there in order to participate or interfere in the works. However, this is costly and thus many developing countries have few or even no representatives there. For instance, while most developing countries had between two and five representatives, and ten developing countries did not have any representation in Geneva in 2001, the US, the European Union (EU) and Japan had respectively fourteen,[27] eighteen and twenty-three professional staff in their missions (Jawara/Kwa 2004, p.20 f.).

Secondly, there are some nonofficial meetings (not governed by WTO's rules) where, in contrast to a ministerial, only a few members participate (usually about thirty members). The presence in these meetings, known as "mini-ministerials", is by invitation. However, there are no rules defining those members which should be invited. In addition, the subjects treated in these meetings are not public since minutes are not taken. Naturally, not knowing the reason they were not invited to a meeting nor what was treated in a meeting, a sensation of non-inclusion arises among those that do not participate in a mini-ministerial.

In 2004 a new form of mini-ministerial appeared (called by some as "micro-ministerials") in which the participation is even more reduced. Moreover, these meetings have a unique characteristic: "the participants, rather than being like-minded … represent the central opposing interests in the negotiation. The only instance so far is the 'Five Interested Parties' (FIP)[28]" (Wolfe 2004, p.8).

[27] The US mission is devoted exclusively to the WTO, while the EU and Japan missions also cover other Geneva-based organizations.
[28] The FIP is presented in chapter 4.

Finally, even during a ministerial, some meetings, known as "green rooms[29]", with the same characteristics of a mini-ministerial, i.e. no minutes are taken and participation is restricted to a limited number of invited members, occur. Once more, the feeling among those that do not participate in such meeting is of exclusion. As noted regarding the Singapore Ministerial, "a green room of 34 countries left all the other ministers loudly wondering why they had come" (Wolfe 2004, p.6). Even though such meetings do not have an official character, the meetings have had crucial importance for the outcome of ministerials.

The main agreements of the last two trade rounds, the final agreement of the Uruguay Round and the agreement to launch the Doha Round, were defined in green room meetings, which sometimes took place after the official end of the Ministerials. For instance, the Doha Ministerial should have finished on 13 November (WTO 2001). However, the Meeting was extended by a decision taken during the Ministerial. As a result, many delegates left Qatar in the last "official" day of the Conference and thus did not attend its last real day.

3.3 The Nature of Some Decisions

As seen in Figure 1, the trade rounds since the 1960s have progressively extended the scope of negations beyond the original purpose of tariffs reductions in goods. Specifically the Uruguay Round comprehended many new issues (Figure 1). Some of these issues proved to be difficult and costly to be implemented by most developing countries. The total amount involved in implementing these issues can exceed the annual development budget of some developing countries (Finger/Schuler 2002, p.501).

[29] The reason of the name is due to similar meetings which used to take place at the office of the director-general of GATT, known from its color as the "green Room" (Jones 2004, p.10).