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How the International Trading System is Changing, and why this may not be Good for Developing Countries

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How the International Trading System is Changing, and why this may not be Good for Developing Countries

Dirk Swart[1] and Adil Najam[2]

Abstract

The essay looks at the proliferation of bilateral and minilateral preferential trading agreements from the perspective of the developing countries. The proliferation is so dramatic that when considered collectively might even signify a fundamental change in the nature of the world trading system – an emergence of a "shadow" international system. The changes – especially the increase of bilateral and regional trading arrangements – may not necessarily be good for the developing countries. Three aspects are considered. First, the benefits of preferential trade agreements (PTAs) for the developing countries are often not trade related. They tend to be limited only to a few products. The proliferation of such arrangements can distract the attention and resources of the developing countries away from global multilateral arrangements. Second, historically the developing countries have been wary of the WTO, but it has become more South friendly. More Southern members have joined, more Southern countries have become important trading players, and more Southern countries have become comfortable in using the WTO dispute resolution mechanisms. More importantly, WTO remains the forum where long-lasting trade rules are set. Finally, even though preferential trading arrangements might seem to give developing countries more voice, they do not necessarily promise more say to the South. Developing countries should tread into the growth fields of PTAs with some care, and they should certainly not do so at the expense of their full participation in the WTO system.

1. Introduction

The regionalism versus multilateralism debate has been studied extensively. As Hilaire and Yang (2004) have observed, the present momentum towards regionalism is so strong that the policy debate is over in the United States, which makes extensive use of bilateral and regional trade arrangements to deepen political and military relationships and increase market access to US exporters. This was particularly evident in the aftermath of the last World Trade Organization (WTO) Ministerial in Cancun, Mexico. The US – frustrated by the strength of a growing developing country coalition – threatened even greater use of bilateral and regional arrangements if it did not get its interests met within the WTO framework.

Developing countries, on the other hand, are confronted by different pressures and have various policy options. As a result there are more first and second order questions outstanding. The developing countries have been historically wary of the WTO as a forum, and have found it to be generally unsympathetic to their concerns. The onslaught of new offers for bilateral and regional arrangements is attractive, but simultaneously distracts their meager negotiating resources away from the truly multilateral discourse within the WTO.

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In considering the policy options for developing countries, we pose two key questions.

- What are the types of changes happening in the international trading system, and do they constitute a fundamental change to the nature of the system?
- What might these changes imply for the developing countries?

The questions differ from the issue of whether regional agreements as a whole are widely held to be beneficial or trade creating (Gosh and Yamarik, 2004), whether or not the multilateral system as a whole is weakened by proliferation of regional agreements (Cosbey, 2005; Bagwell and Staiger, 1998; Lloyd and Mclaren, 2004), and if the major benefits of bilateral agreements are trade or non-trade related. Following predictions by a number of authors (Swanson and Kapoor, 1996; Hilaire and Yang, 2004; Robertson, 2004) on changes to the world trading system in the 1990s, we are adopting an explicitly developing country perspective to recent changes to the international trading system, and trying to assess the impact of the emerging playing field of trade policy for the developing countries. We do so with a consciously Southern focus, and a conscious emphasis on the political – and especially negotiation – orientation. We view international trade negotiations not simply as trade instruments but also as an instrument of international diplomacy that affects all other aspects of the international relations.

In the course of answering the outlined questions, we find that the multilateral system is becoming busier and more universal. There is also tremendous growth in the number of preferential arrangements, sidestepping the multilateral system. The proliferation of preferential trading agreements has mixed effects on the developing countries. Two elements, in particular, can prove detrimental to Southern interests. First, the rapid increase in trading arrangements places sizeable burdens on the scarce institutional resources in the developing countries. Second, the sum of all the regional minilateral arrangements adds up to a shadow international system within which the developing countries may be disadvantaged because it is being defined not through any process of global negotiation but through the preferences of the few major trading superpowers that are emerging as the “hubs” in this new “hub and spoke” international trading system.

It has three important implications for the South:

(1) Preferential trade agreements yield a fast track to agreement, and frequently have significant non-trade benefits as well. As such they are often valuable choices. However, the developing countries should be careful to make sure that these agreements do not preclude or distract from the potentially greater “slow and steady” gains offered through the global multilateral system (the WTO). This can present a dilemma for countries with limited negotiating resources, which cannot afford to fully commit resources to both channels. Also, the potential downsides apply to both small spokes and regional hubs, even though the regional powers may feel that they are winning at the moment. The preferential proliferation could lead to emergence of a new “feudal system” of preference arrangements where the feudal power resides in a few hubs (particularly the US and European Union). They can dictate their preferences through PTAs even more than they might within the WTO.

(2) Historically, the developing countries have been (rightly, in our opinion) wary of the WTO, as they have had relatively little influence in the direction it has taken. However, this has recently begun to change as more developing countries become WTO members. Arguably, some of the countries that have historically dominated the WTO are now turning their attention towards bilateral and regional arrangements *because* the Southern influence on the world body has been rising (for example, one of the immediate US responses to the Southern show of strength at the Cancun Ministerial was to publicly shift its emphasis towards more bilateral agreements). The WTO is showing some signs of becoming relatively more South friendly than it has traditionally been. Developing countries should take care that their increasing participation in regional and bilateral negotiations does not result in weakening the multilateral system or in distracting others attention from the WTO. Many of the systemic changes the South seeks in the global economic system are much more likely to be achieved within the WTO than through bilateral or regional arrangements. This is not to suggest that

the WTO is particularly South friendly. It is, however, to propose that cumulative impact of PTAs proliferation may be even more South unfriendly than the WTO.

(3) The shift towards an increasing number of bilateral and regional arrangements may have the perverse effect of nudging the developing countries towards a decision structure where they have more of an individual voice but less of a collective say. At the WTO forum they have a small voice, but in coalitions they can wield significant presence, particularly in terms of stopping the initiatives they do not like (as demonstrated at the Cancun Ministerial). Developing countries have traditionally preferred multilateral arrangements precisely because they allow the South to use its collective bargaining power. Such collective bargaining becomes notably less effective in bilateral and regional arrangements.

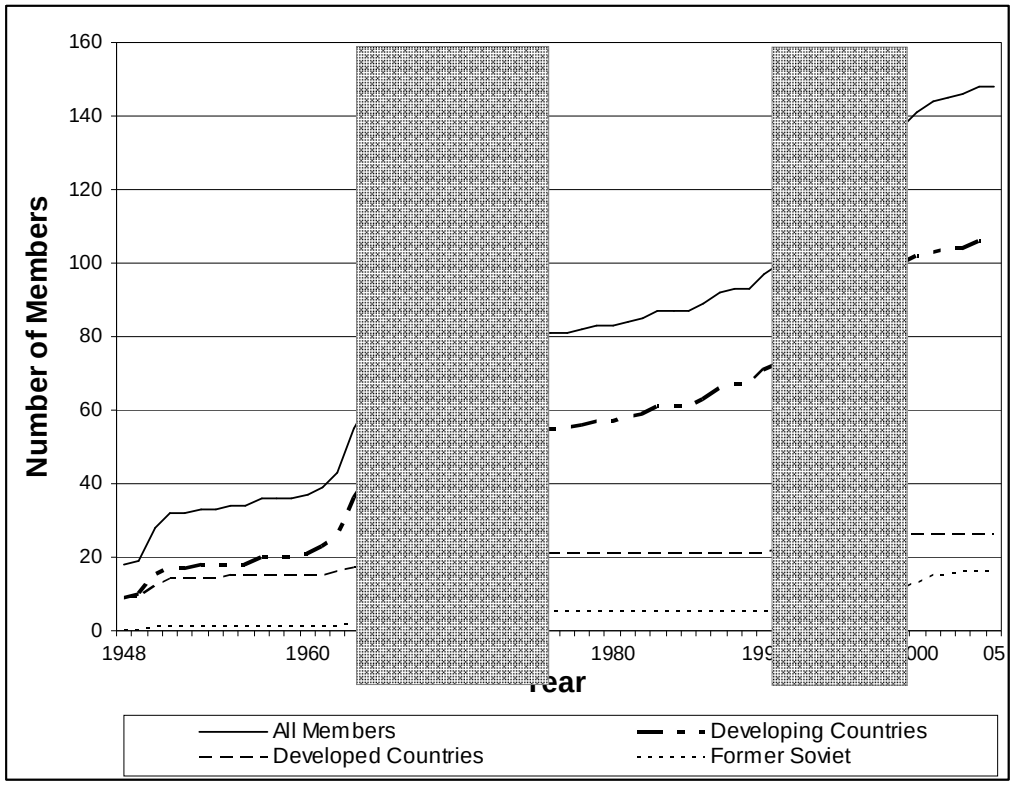
2. What is Happening to the International Trading System?

2.1. Multilateral system is becoming busier and more universal

The WTO has grown in size, becoming more "UN-like", particularly since 1994. Figure 1 shows GATT/WTO membership from 1948 to 2005. The growth of the organization has been impressive. But more impressive is that the growth has largely come from the intake of developing countries. In particular, the incoming developing countries were the most significant contributor to the two large bursts in membership, during the 1960s and the 1990s. During the 1960s and early 1970s, the GATT membership doubled – nearly entirely because of new Southern members – in the run-up to what became the New International Economic Order (NIEO) movement. After a decade of relative stability, the membership again jumped during the Uruguay Round. The membership increased by almost 50 percent from the start of the Uruguay Round negotiations to their conclusion (which was marked by the creation of the WTO). Again the bulk of the new members were developing countries, although there was also the addition of a number of Economies in Transition from the former Soviet Union. Since then the ranks of the developing countries have continued to swell within the WTO. In particular, China's recent entrance into the WTO is likely to affect the organization as well as other developing countries within the WTO, just as Mainland China's entry into the United Nations changed the organization (see Najam, 1995).

Today more than two-thirds of the WTO's 147 members are developing countries (WTO, 2005). In general simple numerical superiority means relatively little in international organizations. However, in a theoretically one-country one-vote forum, such as the WTO, it does suggest some growing influence for the developing countries, especially when they can find common ground with other "like" countries. As we have seen with the Uruguay and Doha rounds, and more recently at the Cancun Ministerial, coalitions allow issues, which are important to the smaller players, to be put on the table (Najam, 2005). It is less than good news for big Northern countries, which find that they now have to deal more carefully with Southern coalitions than they used to in earlier years. As a number of former Soviet countries join the WTO in the near future, we can expect this trend of decreasing Northern influence (and possible decreasing Northern attention) to continue. One-country one-vote notwithstanding, the North still has the largest say in the WTO, and any lack of interest on their part obviously impacts multilateralism as a whole.

Figure 1: GATT / WTO membership broken down by country category. The shaded areas show the Geneva ("Kennedy" and "Dillon") and Uruguay rounds (Source: WTO database). The category "Former Soviet" includes Eastern European countries.



Unfortunately, WTO negotiations proceed at the pace of the slowest member, and are still frustratingly slow for many participants – nothing is decided until everything is decided. Firstly, this slow progress makes a suboptimal forum for rapidly developing services sectors, something that many PTAs are designed to include. Secondly, it requires a long-term commitment to the process and makes it difficult to demonstrate progress. Poor countries, like poor people, have less luxury to think about the long term, and this slowness incentivizes them to choose other faster channels.

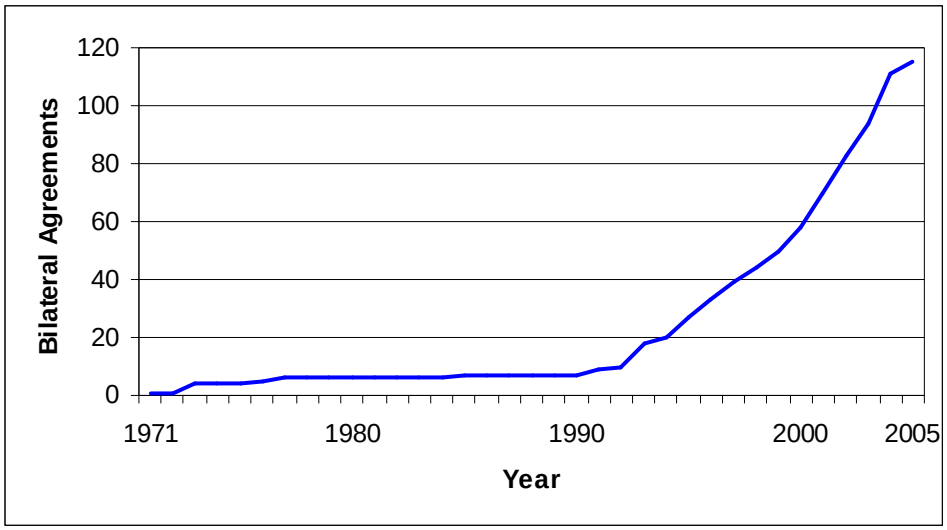
2.2. Bilateral agreements are proliferating…

Most countries are party to one or more regional trade agreements, and many are party to bilateral agreements as well. In the 1990s the number of bilateral agreements increased alongside WTO membership increases. It included both country-country regular bilateral agreements and country-community "bilateral-plus" agreements (e.g. Chile-EC). Figure 2 shows the dramatic rise in bilateral treaties currently in force and reported to the WTO.

There are good reasons why the developing countries are attracted to bilateral and regional arrangements despite the fact that they impose additional costs and burdens on them, which are often not related to trade. As rational actors, countries wish to secure benefits they cannot obtain through the multilateral system. Preferential arrangements offer three significant benefits. First is the convenience. Preferential agreements have fewer parties, and are simpler and faster to negotiate. Governments are better able to respond to specific political pressure groups and deliver results, whereas negotiation via WTO is protracted. Second, many preferential agreements include non-trade issues, such as trade unions, social issues and core labor standards. For example, the Cotonou Convention includes joint

parliamentary and civil society forums; NAFTA covers the movement of people, competition and investment as well as trade. This can be a powerful incentive to come to the table, especially when it is linked to development aid. Finally, they obtain a seat at small negotiating table, where each country potentially has a bigger voice. We discuss this in section 3.3.

Figure 2: Bilateral agreements in force, taken from WTO data. Only bilateral agreements still in force are recorded.



It has been noted that the number of RTAs negotiated appears to be inversely linked to the perceived health of the WTO (International Confederation of Free Trade, 2004). Figures I and 2 can be reconciled with the statement by noting that as many new members joined the WTO, existing WTO members were busy concluding bilateral arrangements. The proliferation is part of the process of creating a system of alternatives, which does not bode well for the multilateral system[3]. The conclusion that bilateral and other preferential agreements are bad news for the multilateral system is supported by Bagwell and Staiger (1998, p1181), who state the "preferential agreements pose a threat to the existing multilateral system", and "the efficiency of the multilateral trading system will be compromised by the creation of preferential agreements unless multilateral enforcement mechanisms are sufficiently weak." Schott (2003) supports the view, noting that bilateral and plurilateral agreements are seen as an acceptable fall back option. It is arguably the success of the WTO which brought the developing countries to the table, and encouraged global trade negotiations, thereby making the proliferation of bilateral and regional agreements possible.

The advantages help explain why countries which are better off remaining actively engaged in the WTO are switching their primary focus to RTA negotiation.

2.3. The sum of all regional 'minilateral' arrangements adds up to a 'shadow' international system…

Most of the RTAs are classified by the WTO as free trade agreements in terms of GATT Article XXIV (1947) as they cover a large spectrum of trade goods and services, rather than customs unions, where trade preferences are combined and a common external tariff is levied for all goods and services. Figure 2 shows dramatic increase in bilateral arrangements alongside the WTO growth. There has been a similar

3 Although care should be taken according to the principle of *post hoc ergo propter hoc*: The fact that the number of agreements is increasing does not automatically mean that it was caused by the perceived ill-health of the WTO.

increase in membership of regional arrangements, as nations seek to become members of "as many exclusive clubs as possible." We argue in section 3 that this can be detrimental to the South.

The proliferation has been asymmetric, where the parties do not agree to reciprocal terms or concessions. This is particularly true with North-South agreements, and has three emergent effects regarding trade:

- It encourages a hub and spoke arrangement (Wonnacott, 1996), which has served to increase discrimination and create barriers to trade. They represent a failure of the GATT/WTO rules relating to RTAs (Lloyd and MacLaren, 2004). Wonnacott notes that the hub and spoke system can be bad for both hubs and spokes. Hubs benefit over spokes by being preferred over other spokes, and by being connected to all spokes. Hubs lose due to rent-seeking waste (as members try to influence which country is next to join) and by being part of a group that has lower overall growth potential when compared to members of an FTA. They also lose if outside investors choose to preferentially invest in FTAs (with other countries as members) rather than in a hub and spoke arrangement.
- It helps to maintain trade barriers, especially in areas that hit developing countries hard like agriculture and textiles (Robertson, 2004) by formalizing a system of preferences, allowing agricultural protection in developing countries to continue, and introducing or extending onerous rules of origin.
- It undermines the WTO principles of most favored nation (MFN) and reciprocity in tariff dismantling. The MFN principle is important. It ensures that a common world price can prevail. Reciprocity "by neutralising the world price implications of a government's tariff decisions, can guide governments to efficient politically optimal outcomes when tariffs are non-discriminatory (Bagwell and Staiger, 1998, p1175)." A system which allows a country to purchase the same good from several suppliers at differing prices promotes inefficient outcomes.

In addition to trade issues, currently negotiated and recently concluded PTAs also include elements of broader political, social and economic agreements (International Confederation of Free Trade, 2004). In other words, the web of agreements covers so many overlapping issues that it adds up to a new "shadow" international arrangement. It is more of an emergent reality rather than a unified system, but could nevertheless undermine the WTO-based multilateral system.

3. What does this Mean for the South?

Considered collectively, the changes to the global trading arena are so significant that when making policy decisions they should be considered as a new playing field for the developing countries. In light of the change, we present three emerging propositions for the South.

3.1. A busier system and proliferation of forums increases costs of participation for South…

Preferential agreements have significant downsides, many of which are not felt in the short term. First, they have direct negotiation opportunity costs for smaller countries. In 2001 Robert Zoellick, the US trade representative, wrote: "I believe a strategy of trade liberalization on multiple fronts -- globally, regionally, and bilaterally -- enhances our leverage and best promotes open markets (Gordon, 2003)." Unfortunately, the developing countries do not have resources to pursue the US policy, and must choose where to focus their resources. Preferential forums divert negotiation resources at a time when the resources needed to be fully involved at the WTO are increasing, as evidenced by the increases in Geneva-based missions of developed countries and the under representation of developing countries (Michalopoulos, 1999). This leaves "less energy for the multilateral arena", (Cosbey, 2005) and helps chip away at the power of the WTO, which we argue is exactly the reverse of what the developing countries should be striving for.

Developing countries, which already have serious delegatory deficits, are at a disadvantage in technical negotiations such as trade (Najam and Robins, 2001). In fact, the proliferation of such negotiation gives a strategic advantage to larger and richer nations simply because it puts even more pressures on the already scarce negotiating resources of the developing countries. Cosbey noted two more potential stumbling blocks. PTAs can harm the participants through a loss of policy space for differences in regulatory approaches, constituting a barrier to multilateral negotiations. Second, while preferential agreements may have contributed to the multilateral system through competitive liberalization in the past, this is not working today, an inevitable consequence of any additive approach. Finally, preference erosion can act as a disincentive to participate in multilateral liberalization (Hilaire and Yang, 2004). For small countries, especially which trade primarily with one large partner, the initial market access and benefits provided by a PTA can act as a disincentive, sapping political will to expend effort in potentially protracted multilateral negotiations.

The trade off between rapidly realized benefits of PTAs – some of which are just as enduring as multilateral arrangements - versus their longer term costs should be considered carefully. It does not mean that PTAs are a bad idea for developing countries. For developing countries especially, preferential agreements have significant knock on effects, which should not be ignored.

3.2 A busier system and proliferation of forums can create duplications, inefficiencies, disadvantages, and communication losses…

When viewed as complementary to multilateralism, PTAs present the illusion of a low hanging fruit, but in reality foreclose future changes. By offering a clearly visible – and potentially significant – short-term gain, preferential agreements are a safe haven for politicians and negotiators (Swanson and Kapoor, 1996). The problem is that a country, finding itself enmeshed in the web of regional and bilateral agreements, compromises its ability to invest the needed time and resources into the multilateral system and can become more distant from, and noticeably less effective, in the multilateral arena. It has sacrificed the ability to harvest the tree in exchange for a few low hanging fruit. This short-term view can be persuasive, especially when a developing country conducts most of its trade with one or two large countries anyway. However, given the already chronic capacity constraints of the most developing countries, this distraction can be costly, and can cripple their ability to influence decisions either in the bilateral/regional levels or as the multilateral level (Najam, 2005; Najam, 2000).

While each agreement is itself simpler to administer and frequently has lower transaction costs – particularly important for trade in services – the spaghetti bowl phenomenon of multiple enmeshed preferential arrangements can make future preferential trade negotiations more difficult (Hilaire and Yang, 2004). Rather than each agreement being a separate negotiation, the increasing complexity and interrelationships between the agreements makes it more difficult to negotiate future agreements. It also has the potential to create an environment that is even more resource intensive to operate in, than the multilateral system it circumvented. Restrictive and Byzantine rules of origin are one major source of additional administrative overhead (McQueen, 2002; Lloyd, 2002).

The additive regionalism approach of preferential agreements means that countries joining existing regional agreements can be presented with few choices. They can either accept the boilerplate or not, and since the price of being excluded from PTAs is high, there is pressure to accept terms that may be less than ideal. Indeed, the first mover advantage of additive regionalism is one reason why countries can feel pressured to negotiate regional agreements as soon as possible. Ironically, if all PTAs could be negotiated according to uniform clauses, then PTAs would constitute a stepping-stone to multilateral agreements, although for the reasons above, multilateral arrangements, arrived at through this method, may not be the best solution for the developing countries.

3.3 A busier system and proliferation of forums can give the South more voice, but less say…

Given that there are advantages for countries to focus on both multilateral and preferential arrangements, and many developing countries don't have the resources to opt for both, where should they focus their efforts? As noted before, regional agreements are not an alternative to the WTO, but a separate opportunity. However, as with any opportunity, there can be a significant opportunity cost to the proliferation of regional arrangements.

In choosing preferential agreements, the developing countries are choosing to negotiate within a structure where they have more of a voice but possibly less of a say. Developing countries are choosing this just at the point when they are collectively gaining relatively more leverage within the WTO. Individual Southern countries have a small voice in the WTO, but in coalitions they can wield significant power. The larger voice in PTA forums – being one of fewer fish in a small pond - is politically attractive, but not necessarily more beneficial; especially if the pond is the feudal domain of one or more very large fish. Although the South's WTO influence is still less than the North's, it still represents a relative increase, and certainly more leverage than the South can muster through other mechanisms.

With increasing number of members from the South and their growing ability to use the dispute settlement mechanisms, now is not the time to abandon the WTO. The South has more to gain by working together. The multilateral forum will not only remain the more relevant forum, but also the forum where the South has a relatively better (even if necessarily small) chance of affecting long-term systemic change. It offers the best long-term returns. In this regard, there are some important steps that the developing countries can take. First, they can increase pressure on industrialized countries (North) to invest resources into the WTO, which currently has a very full agenda but relatively low resources (especially those that can meet developing country goals) (Robertson, 2004). Second, the developing countries should work with nongovernmental organizations (NGOs) that share many of their own concerns about the WTO but have important political leverage within the North. Finally, and most importantly, the goal for developing countries must remain restructuring and reformation of the WTO disciplines rather than an abandonment of multilateral trade policy system.

3.4 Although the South's concerns about the WTO and its limitations are valid, regional and bilateral arrangements are not necessarily any better at addressing these concerns; they may even be worse (especially since Southern say in the WTO is – very slowly – increasing)…

Brown et al. noted that the benefits of FTAs, such as they are, accrue mostly to the industrialized countries, with few, if any, measurable benefits accruing to the South (Brown, 2003; *also see* Najam, 2000). The EU in particular is predicted to gain substantially from developing country trade agreements (McQueen, 2002). In addition to these nugatory benefits, PTAs can also be harmful. For least developed countries, they may lead to clustering and further deindustrialization, particularly if the agreement is limited to trade in goods only (Lamy, 2002).

From a simple negotiation perspective, to say nothing of other economic effects, disproportionate gains by the North should come as no surprise. A large developed country can negotiate with a small developing country from a position of considerable power. It has the leverage to ensure that any deal is favorable to them. On the other hand, the small developing countries obviously cannot easily band together with other "like" countries to form a trading bloc. What is a small country to do when approached by a large industrialized power, saying, "Let's make a deal"? Difficult issues, like agriculture, tend to get left off the table, and it is no surprise that the North is enthusiastic proponent of preferential agreements. For example, the EC currently has 26 PTAs in force (Tuck, 2005).

Apart from the industrialized countries, who gets most out of the PTA trade system? The hub and spoke model gives power to the major players. So the regional hubs, usually the developed nations, win, but a

hub and spoke arrangement can be uncomfortable for both hubs and spokes (Wonnacott, 1996). The wins for the hubs are both directly economic, as the hubs have more trade agreements, which are presumably better, and indirect by having a relatively lower administrative overhead. Many hub benefits are at the expense of spokes. Each spoke country must work with a different set of rules for each preferential agreement, while the hubs can enforce commonality through their more powerful negotiating position. For example, the EC insists on spokes adopting its own complicated rules of origin despite decades of criticism (McQueen, 2002). This serves to reinforce hub and spoke effects.

The hub countries will certainly be better off than the spoke countries, but there is more to it. First, collective income is greater in a free trade arrangement than a hub and spoke system. The arrangement also encourages rent seeking waste, as countries seek to influence who is next to join the system. This is worsened if bilateral arrangements are inconsistent. Secondly, hub countries are in a better position to negotiate further, and surely the motivation to negotiate with other hubs is the same as the original motivation to engage in PTAs in the first place. Therefore, we should expect to see hub aggregation. The logical end is a trade environment where one or two large countries set the terms of their agreements. These terms percolate through the PTAs to the other countries - a sort of trade "feudal system." This is a fundamental change to the world trading environment.

4. Conclusions

New developments in the world trading system are fundamental. The minilateral and bilateral “shadow” systems impact the multilateral system significantly, and make it impossible to define the international trading arena as just the WTO. From the developing country perspective, they are sufficiently large to constitute a new system.

The change has three important effects:

(1) The proliferation of preferential trading agreements has mixed effects on developing countries. PTAs yield a fast track to agreement, and frequently have significant non-trade benefits as well, particularly post NAFTA. As such they are often valuable choices. However, the developing countries should be careful to make sure that the agreements do not preclude potentially greater “slow and steady” gains offered by the multilateral system. There are direct opportunity costs as Southern countries seek to efficiently allocate negotiation resources. PTAs as a system make countries, particularly “spoke” countries, vulnerable to the spaghetti bowl phenomenon, and the additive regionalism approach tends to result in fewer choices and reduced negotiating power. They can also reduce the policy space available to Southern countries and constitute a barrier to multilateral negotiations (Cosbey, 2005). Finally, preference erosion reduces the political will to remain engaged in the multilateral arena. Therefore, multilateral agreements and PTAs should be treated as separate opportunities, rather than complements.

This can present a dilemma for countries with limited negotiating resources, and cannot afford to fully commit resources to both channels. Also, the potential downsides apply to both small "spokes" and regional hubs, even though the regional powers may feel that they are winning at the moment. The result of the preferential proliferation is a “feudal system” of preference arrangements rather than an open forum.

(2) Historically, the developing countries have been wary of the WTO. As noted earlier, negotiating within the WTO takes time and resources that are currently being diverted towards regional and bilateral agreements, but offers significant economic benefits not available through other channels. In the meantime, the WTO has more Southern members, becoming more “South friendly”, particularly as the South can benefit from coalitions with other Southern countries. While the South does not have the North’s muscle, it can have relatively more leverage in the WTO when compared to the alternative -- a succession of bilateral and regional trading agreements. Even regional hub countries, which seem to be benefiting from RTAs at the moment, are

vulnerable to "hub aggregation", as regional agreements get pulled into larger super regional or hemispheric arrangements, though obviously less so than spoke countries.

The WTO has changed. It is time for the South to utilize it and capitalize on the incursion of more developing countries. This is not the time to wish the organization's demise. Developing countries should take care that regional and bilateral negotiations do not weaken the multilateral system.

(3) By opting out of the multilateral system in favor of other agreements, the developing countries are choosing to negotiate within a structure in which they have more of a voice but less of a say. At the same time when the WTO is becoming a better negotiation table for the South, they are choosing to stay away, either because they don't have the resources to negotiate both PTAs and within the multilateral system or because they are losing faith in the WTO as a forum. Unfortunately, WTO negotiations also take longer than PTAs, further contributing to a loss of faith for countries whose leaders focus more on near term issues. Having more voice is enticing, but now is the time for the South to become more engaged in the WTO, and put forward some policy choices to facilitate this process. The WTO is a forum where they have a small voice, but in coalitions they can wield significant power. The South has more to gain by working together – the negotiating environment of the WTO is such that developing country coalitions have significant influence.

The South should remain vigilant of the WTO, should use it to their advantage whenever they can (especially given their new strength of numbers), seek to strengthen and reform the WTO rather than abandon it, and embrace regional and bilateral agreements only where it makes sense, and only in relatively limited numbers, rather than viewing them as an alternative to the multilateral system.

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