



**UNIVERSITY of the
WESTERN CAPE**

FACULTY OF LAW

DEPARTMENT OF MERCANTILE AND LABOUR LAW

**THE POSITION OF THE EMERGING COUNTRIES, BRAZIL, RUSSIA, INDIA,
CHINA AND SOUTH AFRICA (BRICS), IN THE FURTHER DEVELOPMENT OF
THE MULTILATERAL TRADING SYSTEM**

A mini-thesis submitted in partial fulfilment of the requirements for the degree of Master of
laws (LL.M) in International Trade, Investment and Business Law.

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KEY WORDS

Brazil

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China

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Developing countries

Global economy

India

Least developing countries

Multilateral trading system

Russia

South Africa

World Trade Organisation



LIST OF ACRONYMS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
AU	African Union
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CSTO	Collective Security Treaty Organisation
DDA	Doha Development Agenda
EU	European Union
EURASEC	Eurasian Economic Community
G-20	Group of Twenty
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IGO	Inter-Governmental Organisation
IMF	International Monetary Fund
MFN	Most Favoured Nation
NAMA	non-agricultural market access
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PTA	Preferential Trade Agreement
Quad	US, EU, Japan and Canada
RTA	Regional Trade Agreement
SAARC	South Asian Association for Regional Cooperation
SACU	Southern African Custom Union
SADC	South African Development Community
SCO	Shanghai Cooperation Organization
UN	United Nations
UNASUR	Union of South American Nations
UNFCCC	UN Framework Convention on Climate Change
WTO	World Trade organisation
LCD	Least Developed Countries

DECLARATION

I, **Boris Armel Zue Meye**, declare that **The Position of the Emerging Countries, Brazil, Russia, India, China and South Africa (BRICS), in the Further Development of the Multilateral Trading System** is my own work and that it has not been submitted before for any degree or examination in any other university, and that all sources I have used or quoted have been indicated and acknowledged as complete references.

Signed

Boris Armel Zue Meye

May 2014

Signed



Professor Patricia Lenaghan

May 2014



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DEDICATIONS

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CHAPTER 1

INTRODUCTION

1.1 Background

The evolutions of geopolitics are exceptional but nevertheless ensure that events involve international relations.¹ After the period of unpredictability following the 1971 failure of the Bretton Woods system of fixed international exchange rates, in terms of which exchange rates were tied to the price of gold, and the 1973 oil crisis, the need for a well co-ordinated multilateral trading system at the highest level became evident.²

As a result, in 1974, after the first oil shock, an informal intergovernmental organisation namely G group (G5)³ was initiated with a series of meetings in Washington between the United States of America USA, Japan, France, West Germany and the United Kingdom. This group was replaced by the G6 with the addition of Italy. At the first summit of the G6, convened at the initiative of French President Valéry Giscard d'Estaing at Rambouillet Castle in 1975, the six leaders of the group of states agreed to meet annually, under a rotating presidency, to informally discuss economic and financial issues.⁴

Following this period the G6 quickly became the G7 in 1976, with the inclusion of Canada. Since 1977, the European Union (EU) also participates as a guest. From 1994, the Russian Federation met regularly with representatives of the (G7). These meetings were referred to as the P8 (Political 8) or G7 +1, until Russia formally joined the group in 1997, giving birth to the current G8.⁵ The finance ministers and central bank governors of these countries have continued to meet to address the economic issues often in a G7 format.⁶ It is this 'G7 Finance' format that continues up to this day. Thus, since its inception, the G7 has been a

¹ Baracuhy B 'The Geopolitics of Multilateralism: The WTO Doha Round Deadlock, the BRICs, and the Challenges of Institutionalised Power Transitions' (2012) 4 *CRP* 2.

² Smith G 'G7 to G8 to G20: Evolution in Global Governance' (2011) 6 *CIGI Working Paper* 4.

The literature on the G8 and the G20 has become extensive in recent years. A historical summary of G8 development can be found in Peter H, *The G8 System and the G20: Evolution, Role and Documentation* (2007).

³ Smith G 'G7 to G8 to G20: Evolution in Global Governance' (2011) 6 *CIGI Working Paper* 4.

⁴ Smith G 'G7 to G8 to G20: Evolution in Global Governance' (2011) 6 *CIGI Working Paper* 5.

⁵ Peter I 'The G8 system and the G20: Evolution role documentation' (2007) Chap 2.

⁶ The summit of the G5 Finance Ministers Group was superseded by the G7 Finance Ministers Group set up by the 1986 Tokyo G7, Smith G 'The Trilateral commission plenary meeting' April (2011).

meeting of leaders in order to discuss the economic affairs of the world. Because of the frequency and length of these meetings, the exchanges are characterised by openness, confidentiality and a lack of protocol.⁷

In 1999, in reaction to the financial crisis that hit emerging markets in the late 1990s, the G20 was formed. The G20 was originally designed for the finance ministers and governors of central banks of industrialised and emerging countries to informally gather yearly in order to facilitate international co-operation on economic matters. Through the involvement of the G20 the needs of developing countries became more prevalent in the multilateral trading system.⁸ The 1999 crisis prompted awareness of the importance of the effective integration of developing economies into global trade and the decision making process in the World Trade Organisation (WTO).

The G20 has become a prominent coalition group which plays an important role in the global economic sphere. The G20 group participates in the financial economy through the WTO and the Bretton Woods institutions, such as, the International Monetary Fund (IMF) and the World Bank.⁹ For example, during the Washington summit in November 2008, the Heads of State and government agreed on an exceptional joint action to prevent the collapse of the financial system and the global economy.¹⁰ This action was made through a combination of decision making procedures, such as, the Single Undertaking, Consensus and the Green Room process, following the principle of one member one vote.

Presently, the G20 represents 85 per cent of the global economy and two-thirds (2/3) of the world population.¹¹ It consists of the following members:

- G7 members: Germany, Canada, USA, France, Italy, Japan and United Kingdom.
- Australia.
- 11 emerging countries: South Africa, Saudi Arabia, Argentina, Brazil, China, South Korea, India, Indonesia, Mexico, Russia and Turkey.
- The European Union.

⁷ Peter I 'The G8 system and the G20 evolution Role and Documentation' (2007) Chap 5.

⁸ Smith G 'G7 to G8 to G20: Evolution in Global Governance' (2011) 6 *CIGI Working Paper* 5.

⁹ Zoellick R 'Five Myths about the G-20' *The Washington Post* Oct 28 (2011) 5.

¹⁰ John E, Ramesh T& Andrew F 'Reforming from the top: a leader's 20 summit' (2005) 144 *United Nation*.

¹¹ Smith G 'G7 to G8 to G20: Evolution in Global Governance' (2011) 6 *CIGI Working Paper* 6.

Developing countries¹² have become progressively important in the G20 and in the WTO, and have demanded to be more active in the decision making process following the principle of sovereignty.¹³ In what follow, several arguments regarding the historical evolution of the G group will be address in the Chapter 3.

Following the end of the Cold War, different trends were observed and the world went through major structural and geopolitical changes. Such changes were characterised by the rise of developing countries, such as, India and China,¹⁴ whilst major structural changes were also observed in services, manufacturing and in the agricultural sectors.¹⁵ These changes were due to the interaction of production in many industries in manufacturing, goods and services. Developing countries also began increasing their interest in the WTO of which their memberships now constitute two-thirds of the multilateral system.¹⁶

As a result, many international summits, such as the Seattle Summit in 1999, the Uruguay Round (1986-1994) and the Doha Round (2001), have been arranged in response to different issues relating to international trade. One of the main challenges and the main objectives of the Doha Round was to reform the multilateral trading system in order to have a level playing field and to reflect a new balance of power and interests.¹⁷ The basic role of the WTO, as repeatedly stated, has been to provide a steady, predictable and conducive environment within which to conduct international trade through the activities of its dispute settlement body, the General Council (GC) and the biannual ministerial conferences. The discussion for more liberalisation and the updated agenda of the WTO only aim to reinforce this basic function.¹⁸

¹² The term developing countries is wide, and is used differently depending on the situation. It is a term generally used to describe a nation with a low level of material well-being.

¹³ Schwanen D 'The G20 Framework for strong, sustainable and balanced growth: A study in credible co-operation' (2010) 4 *CIGI Working Paper* 6.

¹⁴ At the geopolitical level, the 1990s were marked by the collapse of the Soviet bloc, the end of the Cold War and the demolition of the Berlin Wall which opened the way for the re-unification of Germany and the whole of Europe. These events accelerated the decline of the communist ideology and saw a large number of countries converting in liberalism. The People's Republic of China has opened up to international trade and foreign investment. This redefinition of the balance of power led to the emergence of globalisation, and the introduction of a new world economic order.

¹⁵ Medovic O, Lapardre L and Hopkins J 'Structural change in the world economy: Main features and trends' (2009) united Nations Industrial Development Organisation Working Paper 24, 5-12.

¹⁶ Nalika A & Tussie D 'The G20 at the Cancun Ministerial: Developing Countries and their Evolving in the WTO' (2004) 947(7) *The World Economy* 951.

¹⁷ Laidi Z 'The BRICS against the west?' (2011) *CERI Strategy Papers* 11, 5.

¹⁸ CSEND Policy Brief 'The Doha stalemate: implication and ways forward' (2011) *Trade Policy Governance* 5.

The Doha Round of trade development as well as the activities of newly formed groups, such as, the Cotton Four (C4) Group and the Non-Agricultural market Access (NAMA 11) Group, clearly show a rising awareness of the influence of developing and Least Developed Countries (LDCs)¹⁹ in recent years.²⁰ A comprehensive analysis of the NAMA 11 and the C4 Group will be discussed in chapter 3. However, since the WTO's commitment to deliver the promised pro-development changes the Doha Round has failed developing countries as these changes are yet to be realised. Furthermore, it is submitted that the political interest of global economy powers has been perform by developing countries. A number of developing countries, such as, Brazil, Russia, India, China and South Africa (commonly known as 'BRICS' countries²¹), all characterised by fast growing developing economies have recently thus acquired a substantial influence in the international market and in the WTO.²²

These BRICS countries are making important changes in the decision making processes in the multilateral trading system. They became more important after the 1999 financial crisis.²³ They represent over 36 per cent²⁴ of global Gross Domestic Product (GDP). The five new emergent countries play an incredible role in the new global economy, accounting for around 40 per cent of the world population, and in 2015 they should achieve 61 per cent of global growth according to the IMF.²⁵ They wish to increase their weight and better advance their views in economic negotiations, particularly in the forums of the IMF and the WTO. In

¹⁹ The group of Least Developed Countries consists of: Angola, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Democratic Republic of Congo, Djibouti, Gambia, Guinea, Guinea-Bissau, Haiti, Solomon Islands, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritanie, Mozambique, Myanmar, Népal, Niger, Uganda, the Central African Republic, Rwanda, Senegal, Sierra Leone, Tanzania, Chad, Togo and Zambia.

²⁰ Laidi Z 'The BRICS against the west?' (2011) *CERI Strategy Papers* 11, 4.

²¹ The term BRIC appeared for the first time in 2001 in a note from the United States bank Goldman Sachs to describe Brazil, Russia, India and China as economic powers called to challenge the dominance of rich countries in the multilateral trading system. Goldman Sachs projected that BRIC economies could become as large as the G7 economies by 2032. With South Africa joining in April 2011, the term 'BRICS' (Brazil, Russia, India, China and South Africa) has become a widely used symbol for the shifting of global economic power from developed economies to major developing countries. South Africa was able to join the BRIC group in 2011, despite its small population size relative to Brazil, Russia, India and China, through the efforts of the business community in South Africa and the Johannesburg Stock Exchange. The BRICS economic weight and growth contributions have risen gradually, and their equity markets have outperformed considerably regarding the multilateral trading system.

²² Qureshi Z 'G20: the global growth and development agenda' (2010) (5) 31 *International Organisation Research Journal* 25 30.

²³ Dhar B 'BRICS in the emerging global economic architecture' (2012) *SAIIA Working Paper* No 125, 12.

²⁴ See generally Armijo L 'The BRICS countries (Brazil, Russia, India and China) as analytical category mirage of insight?' (2007) 31(4) *Asian Perspective* 7 14.

²⁵ IMF External Relations Department 'IMF Executive Board Approves Major Overhaul of Quotas and Governance' Press Release No10/418, Nov 2010 available at www.imf.org/external/np/sec/pr/2010/pr10418.htm (accessed 24 April 2013).

addition, these five countries are discussing the creation of their first institutions, including an investment bank to finance infrastructure projects and development.²⁶

The growing influence of BRICS in international negotiations relating to the WTO Doha Round, gives it real economic power in the global economy especially in low income countries.²⁷ Thus, the role of BRICS in the multilateral trading system has gradually become important. Its weight in the global economy continues to grow. It went from 16 per cent of world GDP in 2001 to 20 per cent this recent year.²⁸ The world has witnessed the change caused by BRICS countries in the recent year considering this change as relevant technical and structural progress. This change is not solely with regard to trade and business markets but also as new emergent donors as well as providing technical assistance.²⁹ They have established different ways of funding economic co-operation, particularly through south-south co-operation with low income countries.³⁰ The year 2011 showed a slow global economy balance tilting in favour of the bloc of emerging countries. Since their first summit in 2009, the leaders of the BRICS countries have sought to have more influence in world affairs, believing that their growing economic power must be taken into account.³¹ Therefore it will be interesting to know if developed countries still have a final word regarding the decision making process.



1.2 Research problem

In November 2001, the Doha Round of negotiations, under the auspices of the WTO, stalled for several months without any real prospect of continuing. This raised a series of uncertainties about the future of the multilateral trading system.³² The question of the role of

²⁶ Josie J 'The BRICS development bank and public infrastructure investment' (2013) *HSRC Working Paper 1-10*.

²⁷ Hawkswort J & Cookson G 'The world in 2050: Beyond the BRICS: a broader look at emerging market growth prospects' (2008) *Price water house Coopers* 10.

²⁸ See BRICS joint statistical publication 2013 available at http://www.statssa.gov.za/news_archive/Docs/FINAL_BRICS%20PUBLICATION_PRINT_23%20MARCH%202013_Reworked.pdf (accessed 14 April 2013).

²⁹ Memedovic O, Lapadre L and Hopkins J 'Structural change in the world economy: Main features and trends' (2009) United Nations Industrial Development Organisation Working Paper 24, 7-16.

³⁰ De Almeida P 'The BRICS' role in the global economy' (2009) *Trade and International Negotiations for Journalists* 146 148.

³¹ De Almeida P 'The Brics (2009) 146 150.

³² Cho S 'The Demise of Development in the Doha Round' (2010) 31 *International law journal*.

intergovernmental organisations (IGOs) in relation to issues relating to the global economy and international trade has consequently arisen.

The role of the WTO is central to international trade and aims to provide international co-operation and economic development. However, it does not *per se* cater for all emergent countries' needs.³³ This research submits that trade in developing countries can only flourish when more economic policies favour their trade. The coalition countries such as BRICS and the steps they have taken in putting forward an intergovernmental organisation framework, may offer the desired solution to these developing countries' trade needs. Evaluating whether the co-operation between these BRICS countries may help to build a more balanced multilateral trading system, improve global economy governance and promote democracy in international trade relations is therefore important.

1.3 Research question

This research is based on the premise that the BRICS group is a movement directed at the rebalancing power and wealth that may put an end to the domination of developed countries in the multilateral trading system. In order to effectively explore the role of BRICS in the further development of the multilateral trading system, this research poses the following questions:

- 1- What is the legal and institutional framework of the BRICS group and how does this framework relate to the objectives of BRICS group?
- 2- What is the interaction between the WTO and BRICS countries in the multilateral trading system?
- 3- What is the position of BRICS countries in the decision making process in the multilateral trading system?

1.4 Aims of the research

This research assesses the rise of the BRICS group, in relation to the participation of developing countries within the WTO. It presents some aspects regarding the challenges and complications that developing countries face in their participation in the multilateral trading

³³ Armijo L 'The BRICS countries (Brazil, Russia, India and China) as analytical category mirage of insight?' (2007) *Asian Perspective* 31,4.

system. The research further seeks to explore if this participation allows for more democratic development of the current multilateral trading system.

1.5 Limitation of the study

The research is confined to relevant legal provisions regarding the participation of the BRICS countries in the multilateral trading system. This study is also limited to the role of intergovernmental organisations in the WTO, in particular as it refers to the position of the BRICS countries in the further development of democratic decision making process within the multilateral trading system.

1.6 Research Methodology

This research is conducted by using sources, such as, academic books, journals, legislation, web publications, and reports from international trade conventions, with regard to the WTO Doha Round and the international economy relating to the WTO. The method employed in this research also requires the use of international trade law and trade policy instruments. This study analyses the evolution of the G7 to the G20; and the position of the alliance groupings in the WTO Doha Round, such as, the Cotton Four group (C4) and the (NAMA 11) and BRICS as a new emergent power in the multilateral trading system. Additionally, the research considers the role of developing countries, which include BRICS and G 20 coalition countries, as agent in the reform of the multilateral trading system. The research also analyses how the decision making in the multilateral trading system has been seen by the developing countries. Finally there is an evaluation of some arguments concerning the raison for the proliferation of preferential trade agreements (PTAs) and their place in the multilateral trading system.

1.8 Overview of chapters

Chapter two deals with trade policy, the WTO and the decision making process in the multilateral trading system. The chapter provides perspectives on of international trade policy in the multilateral trading system, the WTO's role in the multilateral trading system, and the decision making process in the world trade system.

Chapter three comprises and analyses the evolution of IGOs, such as the G20. This chapter provides a relatively broad overview of the history, structure and mode of operation of these groups of IGOs. The chapter points out some of the reasons why IGOs have been formed, the alliances countries have formed in the WTO negotiations, and what role they play in the WTO.

Chapter four in particular discusses the BRICS members and their position in the global economy. The chapter analyses the approach of BRICS countries in the multilateral trading system.

Chapter five contain the conclusions and recommendations.



CHAPTER 2

TRADE POLICIES, LEGAL INSTITUTIONS AND THE DECISION MAKING PROCESS OF THE WORLD TRADE ORGANISATION

2.1 Perspectives on international trade policy in the multilateral trading system

The policies of international trade consist of multilateral and bilateral arrangement between countries which provide recommendations for the regulation of regional and bilateral trade, policy and the harmonisation of trade between the countries involved. Trade policies are issues of high concern to developing countries because these policies dictate the terms on which these countries will be incorporated into the realm of international trade.³⁴

The obligation and responsibility of the World Trade Organisation (WTO) is to simplify the execution, administration, operation, and promotion of the objectives of the WTO Agreements within the multilateral trading system. It also provides the framework for the implementation, administration and operation of the multilateral trade agreements.³⁵

The WTO has its origins in the General Trade Agreement on Tariffs and Trade (GATT). It was created as an umbrella institution to implement and negotiate the increasing number of international trade agreements that have been adopted in recent years.³⁶ It was adopted at the Marrakesh Agreement as part of the final results of the Uruguay Round of Multilateral Trade Negotiations (MTN) on 15 April 1994 and came into force on 1 January 1995.³⁷ The purpose of the Marrakesh Agreements was to facilitate the global economy and to provide the legal framework for world trade by opening more market access.

Under the Marrakesh Agreement the WTO made the principle of non-discrimination a key concept of the WTO Agreement. There are two major principles of non-discrimination: the most favoured nation (MFN) rule, and the national treatment principle. These principles are rooted in the WTO rules on goods, services, and intellectual property. The MFN treatment obligation does not authorise a country to discriminate between countries.³⁸ These principles

³⁴ Bossche P & Zdouc W *The Law Policy of the World Trade Organisation* 3ed (2013) 20.

³⁵ Article III: 1 of WTO Agreement.

³⁶ Ezeani E *The WTO and its Development Obligation Prospects for Global trade* (2011) chap 1 5.

³⁷ Ezeani E (2011) chap 1 1.

³⁸ Bossche P *The Law policy of the World Trade Organisation: Text cases and Materials* (2008) 321.

establish non-discrimination and openness in the international market among the countries involved by imposing more transparent measures to be adopted by member governments.³⁹

The WTO operates *via* decision making processes contained in Articles IX and X of the WTO Marrakesh Agreement. It is imperative for the WTO to respond to the need of developing countries⁴⁰ with regards to reciprocity in the multilateral trading system. The WTO decision making is the principal mechanism within the WTO to implement provisions. This chapter is thus subdivided into three sections. The first section discusses the WTO generally and provides some background information; the second section describes the institutional framework and decision making of the WTO; and the last section presents the conclusions.

2.2 The World Trade Organisation's role in the world economy

The WTO rules fundamentally define what regions of economic activity may be challenged as being a barrier to the development of the free movement of trade or investment. Since its creation the WTO has played a leading role in the regulation of international trade between member states. Despite the controversy of the Seattle Summit and the failure of the Doha Round the WTO has none the less made several advances in areas, such as, agriculture, trade policies and the dismantling of trade barriers. Unfortunately the decision making processes of the WTO has not at all times reflected full democratic participation of all the member states.

The international trading system rules established in 1947 by the GATT have resulted in a transparent trade regime and the progressive lower of tariffs to trade. Nevertheless, with the creation of the WTO, some rules were lengthy in order to contain those aspects that were not in the GATT system, such as, agriculture, textiles, trade in services, and intellectual property rights.⁴¹ Those efforts have been made due to the key concept of the WTO which is non-discrimination with regards to law policies and national treatment.

The changes made by the GATT to the WTO have brought many hopes and power especially to developing countries; in fact, the multilateral trading system was limited under the GATT, and no real trade connection was made between developed and developing countries, mostly

³⁹ Matsushita M 'Basic principles of the WTO and the role of competition policy' (2004) 3 (2) *Washington University Global Studies Law Review* 363 367.

⁴⁰ Developing countries in this research include the BRICS countries in accordance with economic development based gross domestic product.

⁴¹ WTO Marrakech Agreement 15 April 1994.

as regards decision making. It is true that in 1947, under the GATT, the contribution of developing countries to the global economy was not as important as today. The Seattle Summit in 1999 raised the capability of developing countries, particularly, India, China and Brazil, to contribute to global economic development, to reduce trade barriers, and to achieve prosperity in developed as well as developing countries.⁴²

The WTO is one of the three international organisations which deal with international trade among states and largely formulates and co-ordinates world economic policies.⁴³ Its major roles in the global economy are: to elaborate the legal basis for management of the current trade barriers and for elimination of discrimination in international trade; and management of the process of multilateral trade negotiations and settlement of international disputes related to trade. In addition, the WTO supervises the trade policy of member states and co-operation with international organisations determining world economic policy.⁴⁴

Currently, the WTO has 159 member states⁴⁵ which represent more than 95 per cent of international trade. The simplification and implementation thereof are the responsibilities of the WTO administration which seeks to achieve the objectives of the multilateral trade agreements.

The WTO Ministerial Conference is its highest governing body, meets every two years, and mainly takes decisions on inter-state trade agreements. During the periods between conferences, the working of the WTO is handled by the General Council, which is accountable to the Ministerial Conference. The latest discussions relating to trade held by the WTO was the Doha Round (following the Uruguay Round in 1995) which had covered the wide range of trade issues by reducing trade barriers for agriculture.⁴⁶ The decisions on co-operation to reduce industrial tariffs and to establish discipline on the use of non-tariff barriers have been taken by WTO members at the Doha Round on Trade negotiations. The

⁴² Bossche P & Zdouc W *The Law Policy of the World Trade Organisation* 3ed (2013) 31.

⁴³ Matsushita M 'Basic Principles of the WTO and the Role of Competition Policy' (2004) 3 *Washington University Global. Study Law Review* 363 385.

⁴⁴ WTO 2013 available at http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm (accessed on 27 August 2013).

⁴⁵ WTO 2013 available at http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (accessed on 27 August 2013).

⁴⁶ WTO's Fourth Ministerial Conference in Doha, Qatar, November 2001.

negotiations, such as, those on non-agricultural market access (NAMA), the introduction of lower trade barriers, and revised trade rules were also in the Doha ministerial declaration.⁴⁷

The major purpose of the Doha Round was to cut tariffs on industrial goods and remove non-tariff barriers to market access of industrial exports. After 12 years, most of the decision making at the Doha Round has not been achieved by the WTO members. The extensiveness of the issues at the Doha Round has, however, made it difficult to assemble a package agreeable to all WTO members. The consensus relating to trade negotiation in the Doha Round did not materially address the reasonable interests of developed and developing countries which have made many efforts to be involved in the success of the decisions taken at the Doha Round.⁴⁸ With regard to the inequality amongst States within the Doha Round, the WTO has failed to provide developing countries with democratic governance and decision making processes. Stiglitz has argued that the WTO policies have been set to serve the interests of developed countries over those of the developing countries. Reforming institutions, such as, the WTO, the IMF and the World Bank, constitute a new step for developing countries because they argue that many of the existing WTO agreements are biased against their interests. According to Stiglitz:

‘The problem is not with globalisation, but with how it has been managed. Part of the problem lies with the international economic institutions, with the IMF, World Bank, and WTO, which help set the rules of the game. They have done so in ways that, all too often, have served the interests of the more advanced industrialised countries and particular interests within those countries rather than those of the developing world.’⁴⁹

The WTO has allowed for preferential trade agreements (PTA) as an exception to the trade rules in terms of GATT Article XXIV. However, PTAs are sometimes seen as a form of discrimination during the decision making processes at the WTO. According to Khor, the major reason why the WTO has failed to reflect achievement apprehensions, despite the rhetoric in the Doha Ministerial Declaration, was the continuation of the non-participatory decision making process in which ministers, officials, ambassadors and diplomats from developing countries were not given the opportunity to take part in the key decisions,

⁴⁷ Baracuhy B ‘The Geopolitics of Multilateralism: The WTO Doha Round Deadlock, the BRICs, and the Challenges of Institutionalised Power Transitions’ (2012) *CRP Working Paper* No 4 10.

⁴⁸ Baldwin R & Evenett S *Why World Leaders must Resist the False Promise of Another Doha Delay* (2011) 9.

⁴⁹ Stiglitz J *Globalisation and its Discontents* (2002) 214.

especially during Ministerial Conferences and their preparatory process.⁵⁰ Paragraph 4 of the Doha Ministerial Declaration adopted in Doha in 2001, provides the mandate for the negotiations, and states that the needs and interests of developing countries are at the heart of the Doha Development Agenda.⁵¹

In this regard, Trakman argues that the lack of democratic system and the impasse at the negotiations in the WTO Doha Round of negotiation have advanced the proliferation of the multilateral trading system. He observes:

‘The most simplistic argument in favour of bilateral trade agreements is that, all other things being equal, bilateral trade agreements lead to there being more, and that having more is better than having less. States and their subjects that have more can buy and sell more. States can improve standards of living among their populace. They can extend economic benefits like social services, healthcare and education to the less fortunate. Having more allows them to share more.’⁵²

This analysis is important for this research because most of the developing countries do not have a competitive economy in the international scene. Therefore, to be active in multilateral decision making processes will be a difficult task for them. Regional trade and bilateral trade agreements will help developing countries: first, to develop their economies; secondly, to be more active in their specific area; and, finally, to be more competitive in the multilateral trading system. It is true that BRICS countries are not party to a regional or PTA but these countries offer a corresponding positioned influence to that which is found in PTAs. Furthermore, the hindrance in the conclusion of the Doha Round has resulted in the proliferation of PTAs among countries.⁵³ The more prominent PTAs include the North American Free Trade Agreement (NAFTA), the European Community (EC), the Mercado Común del Sur (MERCOSUR) which includes Argentine Republic, Brazil, Paraguay and Uruguay, the ASEAN (Association of East South Asian Nations); and the Asian Free Trade Area (AFTA).

⁵⁰ Khor M ‘The WTO’s Doha negotiation and impasse: a development perspective’ (2007) 32 Third World Network 5.

⁵¹ Doha WTO Ministerial 14 November 2001: Ministerial declaration available at http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm (accessed on 27 August 2013).

⁵² Trakman L ‘The Proliferation of Free Trade Agreements: Bane or Beauty?’ (2008) *Kluwer Law International* 367 379.

⁵³ Jones K ‘Regionalism and the problem of representation in the WTO’ (2007/12) *UNU-CRIS Working Paper* 1 10.

In some sense, the most important concern about PTAs is that they are, by definition, preferential and therefore discriminate against non-members. Dube argues that the seeming failure of the Doha Development Agenda is located in the decision making processes of the WTO.⁵⁴ Reliance upon PTAs reflects the frustration that countries feel with the slow pace of decision making in the multilateral process. The divergent approaches between developed and developing countries on the substantive content of the latest negotiations, is a clear indication of this frustration.

2.3 Fundamental principles and major policies of the World Trade Organisation

The foundations of the multilateral trading system are based on the WTO Agreements. These apply to trade in goods, trade in services, and trade related aspects of intellectual property rights. The major principles of international trade are non-discrimination and the national treatment obligation.⁵⁵ Additionally, transparency and special treatment for less developed members also form part of the basic principles of the WTO. Thus in paragraph 10 adopted in the Doha Ministerial declaration on 14 November 2001, members reaffirmed the importance of confirming internal transparency for all members.⁵⁶ The WTO Agreements cover provisions giving developing countries special rights. Thus, there are around 145 WTO agreements called Special and Differential Treatment, and 107 of them were adopted at the Uruguay Round and 22 are applicable to Least Developed Countries (LDCs).⁵⁷ Also, trade discussions and the implementation of negotiated trade rules form a basis of the fundamental principles. There are principally four major policies which underpin these rules, such as, assisting developing and transition economies; specialised help for export; the WTO in global economic policy making; transparency rules for keeping the WTO informed and transparency rules for keeping the public informed.⁵⁸ In the case of special treatment for less developed members, the WTO agreements recognise the particular situation of developing and LDC countries by providing them with special treatment. The position of developing countries which demand more involvement in the multilateral trading system and the agreement of all

⁵⁴ Dube M 'The Way Forward for the WTO: Reforming the decision making process' (2012) 118 (5) *SAIIA Occasional Paper* 7.

⁵⁵ Articles II and XVII of the GATT 1947.

⁵⁶ Doha WTO Declaration 2001 available at

http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm (accessed on 15 October 2013).

⁵⁷ Babu R *Remedies under the WTO Legal System* (2012) 365.

⁵⁸ See special policy of the WTO available at http://www.wto.org/english/thewto_e/whatis_e/tif_e/org5_e.htm (accessed on 15 October 2013).

WTO members for decision making of all WTO members in respect of the WTO principles, have been the major impasses during the Uruguay and the Doha Rounds.

2.4 Decision making procedure in the World Trade Organisation

As indicated earlier, the WTO is one of the major international organisations in charge of regulating international trade among states. It has been viewed as a democratic institution in international trade with respect to decision making based on consensus.⁵⁹ The WTO Agreement relating to the decision making process is regulated significantly by the provisions of Articles IX and X.⁶⁰ Furthermore, provisions relating to decision making on disputes among members are contained in Annexure 2 of the Dispute Settlement Understanding (DSU).⁶¹ The WTO Agreement also has some decision making procedures provided for under the GATT 1947.⁶²

The value of consensus was intended to improve developing countries' negotiating influence. If consensus cannot be reached, voting may be required. However, in practice voting rarely occurs. The principle of 'one member, one vote' is another foundational principle of decision making in the WTO.⁶³ This is similar to the general principle of universal suffrage and related to all aspects of decision making within the WTO. The requirement of unanimity for amendments constitutes the rule relating to general principles, such as, MFN or national treatment. A three-quarter majority vote is required by WTO members to approve a decision for amendment.⁶⁴ A two-thirds majority vote is appropriate for amendments with regard to issues other than the general principles mentioned above. However, much criticism has been raised by developing countries regarding the decision making process of the WTO. They consider the WTO to be predominantly undemocratic and lacking transparency in the decision making process.

⁵⁹ Narlikar A 'Fairness in International trade negotiations: Developing Countries in the GATT and WTO' *Working Paper* (2006) 10.

⁶⁰ Article IX: 1 of the Agreement Establishing the WTO.

⁶¹ See Article 2:4 of the Dispute Settlement Understanding.

⁶² Articles IX: 1 and XVI: 1 of the WTO Agreement.

⁶³ Article IX: 1 of the WTO Agreement.

⁶⁴ WTO Principles of the trading system available at

http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm (accessed 15 October 2013).

2.4.1 Decisions on various matters

The foundation of the WTO decision making processes is stated in article IX: 1:

‘The WTO shall continue the practice of decision-making by consensus followed under the GATT 1947. Except as otherwise provided, where a decision cannot be arrived at by consensus, the matter at issue shall be decided by voting. At meeting of the Ministerial Conference and General Council, each Member of the WTO shall have a number of votes equal to number of their member States which are members of the WTO. Decisions of the Ministerial Conference and the General Council shall be taken by a majority of the votes cast, unless otherwise provided in this Agreement or in the relevant Multilateral Trade Agreement.’⁶⁵

In 1995 ⁶⁶ WTO members decided not to apply the provisions for ‘one member, one vote’ in the case of accessions and requests for waivers, but to continue to proceed on the basis of consensus.⁶⁷ In fact, before the three-fourths majority voting procedure is used, the consensus procedure must first be used and it is only when consensus is not reached that the stated voting procedure is resorted to. Thus, the consensus procedure of the General Council decision with regard to the decision making process in the WTO under Articles IX and XII was adopted on 15 November 1995 and states:

‘On occasions when the General Council deals with matters related to requests for waivers or accessions to the WTO under Articles IX or XII of the WTO Agreement respectively, the General Council will seek a decision in accordance with Article IX: 1. Except as otherwise provided, where a decision cannot be arrived at by consensus, the matter at issue shall be decided by voting under the relevant provisions of Articles IX or XII.’⁶⁸

However, it is suggested that despite the principle of one vote per member which is aimed at avoiding partiality, many developing countries have been pushed into decisions with which

⁶⁵ Article IX of the WTO Agreement.

⁶⁶ Article IX: 1 of the Agreement Establishing the WTO.

⁶⁷ Agreement agreed by the General council (WT/L/93) adopted under Articles IX and XII of the WTO Decision Making process.

⁶⁸ General Council decision on ‘Decision-Making Procedures under Articles IX and XII of the WTO Agreement’ (adopted on 15 November 1995) para.1.

they are not comfortable, for fear of holding up the proceedings and being criticised.⁶⁹ It is, therefore, clear that the lack of full democratic participation between countries still remains. In this regard a British non-governmental organisation (NGO) fighting poverty in developing countries noted:

‘The current crisis in the WTO is rooted in the undemocratic nature of the organisation and the negotiations that take place within it. The image of the WTO as a democratic organisation is without foundation. From formulating the agenda to reaching a decision the process is dominated by the most powerful and richest countries. As such negotiation at the WTO is fertile ground for horse-trading that inevitable favour those with great financial and political might. To keep on top the massive agenda at the WTO, rich countries such as US, EU, Japan and Canada have large teams of well-resourced specialists in Geneva. Half of poorest countries in the WTO cannot afford one.’⁷⁰

Despite these criticisms regarding the undemocratic decision making system in the WTO, developing countries have opted to develop PTAs in their specific areas. PTAs contribute to build regional and global liberalisation trade which can accelerate reform in the multilateral trading system.

2.4.2 Decision making and movement towards preferential trade agreement

As shown above, a key principle of the WTO is consensus, giving members the opportunity to negotiate and to work together on the basis of mutual understanding. However, it is often alleged that this decision making process is not always practical with regards to the equal participation of developing countries. Spoor argues that the interest of developing countries does not correspond with meaningful participation. He observes that:

‘Developments in the arrangement governing multilateral trade and technology transfers have left nations in the South more vulnerable than in the past. First the WTO negotiation process excludes countries in the south from meaningful participation, even though the WTO is based on the one country one vote principle. Second there is a greater reluctance at present to grant non reciprocal special and differential treatment to less-developed countries compared to thirty years ago. Third, WTO rules on

⁶⁹ Baracuhy B 'The Geopolitics of Multilateralism: The WTO Doha Round Deadlock, the BRICs, and the Challenges of Institutionalised Power Transitions' (2012) CRP *Working Paper* (4) 8.

⁷⁰ Bossche P & Zdouc W *The Law Policy of the World Trade Organisation* 3ed (2013) 136.

trade in intellectual property right (the so call TRIPS) are especially inimical towards the process of the technological diffusion in the south'.⁷¹

Special and differential treatment for developing countries should not be the only way of integration into international trade. The equal participation of all members is paramount to protect their interest. Raghavan, too, has criticised the trading relations between developed and developing countries when he argues that

‘...when a number of small economies refused to be manipulated, marginalised and left out of the decision-making processes and acquiesce in decisions cooked up in 'secretive' so-called 'green room' processes; when some of the other major developing countries 'refused' to pay a price to enable the Cairns Group of agricultural exporters and the US to gain concessions from the EC on the agricultural front; and.; when developing nations refused to be cowed - by some of the street protests and by the US administration - and said 'no' to labour and environmental standards being linked to trade rights and obligations and open to 'sanctions'.⁷²

Since the Seattle Summit in 1999⁷³, there has been an increase in the use of informal decision making mechanisms, especially amongst developing countries. Many developing countries feel that they are not involved in the WTO Agreements due to their lack of effective participation. Also, they recognise that they have limited power in the multilateral trading system where recent progress (Seattle and Doha Rounds) on trade and investment liberalisation is perceived to have been excessively slow. Many small economies have underscored the need to consciously explore alternative means of participation.⁷⁴ The requirement of developing countries, is to have a voice in the decision making process.

Currently, developing countries participate more in the decision making process where their trading needs can be protected under PTAs.⁷⁵ The movement toward PTAs has changed the

⁷¹ Spoor M *Globalisation, Poverty and Conflict: Critical 'Development' Reader* (2004) 76.

⁷² Raghavan C 'Seattle WTO Ministerial ends in failure' available at <http://www.twinside.org.sg/title/deb2-cn.htm> (accessed 13 September 2013).

⁷³ The Seattle Summit was the third meeting of the WTO. This Summit has led major governments to discuss various trading rules at the WTO. The most important aspect of this Summit was the protest of the developing countries about the decision making process at the WTO. The inability of the developed countries, such as, the United States, the EU and Japan, to forge their own consensus around negotiations on agriculture and a range of other issues, as they used to manage in the past for their own interest, did not give them an opportunity to achieve the essential larger consensus due to the strong objective of the developing countries' coalition groups, such as, the Cairns group of agriculture exporting countries, in which many developing countries demand to have a comparative advantage in the decision making process.

⁷⁴ Rajan R & Sen R *The New Wave of FTAs in ASIA: With particular reference to ASEAN China and India* (2004) *Institute of Southeast Asian Studies* 6.

⁷⁵ Bossche P & Zdouc W *The Law Policy of the World Trade Organisation* 3ed (2013) 19.

architecture of participation in the multilateral trading system. These alliances have demonstrated the capacity to influence the agenda of negotiation, most noticeable in the agriculture negotiation during the Doha Round.⁷⁶ The issue of coalition has significantly changed the institutional dynamic of the decision making process in the multilateral trading system. Countries, such as, Brazil, Russia, India, China and South Africa (BRICS), have changed the power relation in international affairs. While the United States and the EU maintains their superpower status, their position is increasingly being challenged in the world sphere by the BRICS countries.⁷⁷ These countries have clearly increased their influence and are demanding a larger role in the decision making processes.

The WTO Secretariat encouraged the inclusion of such coalitions in the decision making processes.⁷⁸ These coalitions are an integral part of the multilateral trading negotiations.⁷⁹ Although member states have been adapting the means by which they participate in the WTO, insufficient attention has been given to these shifts. It is often alleged that the decision making processes in the current multilateral trading system are not reasonable with regards to the equal participation of developing countries. The major reason that accounted for developing countries' participation was the non-reciprocity requirement, as discussed above, to develop trade which in can benefit developing countries. Spoor argues that the interest of developing countries does not fit with the non-reciprocity principle. He in particular observes:

'Developments in the arrangement governing multilateral trade and technology transfers have left nations in the South more vulnerable than in the past. First the WTO negotiation process excludes countries in the south from meaningful participation, even though the WTO is based on the one country one vote principle. Second there is a greater reluctance at present to grant non reciprocal special and differential treatment to less-developed countries compared to thirty years ago. Third, WTO rules on trade in intellectual property right (the so call TRIPS) are especially inimical towards the process of the technological diffusion in the south'.⁸⁰

⁷⁶ Narlikar A 'New powers in the club: the challenges of global trade governance' (2010) 86 (3) *International Affairs* 717 720 see also Birkbeck C 'Developing country coalitions in the WTO: Strategies for improving the influence of the WTO's weakest and poorest members' (2011) *Idea Working Paper* 6.

⁷⁷ Cox M 'Power Shifts, Economic Change and the Decline of the West?' (2012) 24 (3) *International Relation Journal* 369 388.

⁷⁸ Narlikar A 'New powers in the club: the challenges of global trade governance' (2010) 86 (3) *International Affairs* 723.

⁷⁹ Narlikar A 'New powers in the club: the challenges of global trade governance' (2010) 86 (3) *International Affairs* 724.

⁸⁰ Spoor M *Globalisation, Poverty and Conflict: Critical 'Development' Reader* (2004) 76.

Thus, special and differential treatment for developing countries could not only be a guarantee of their integration into, and interest in, international trade, but also of their participation in the multilateral trading system primarily to protect their own interest. Currently, developing countries participate more in the decision making process when their trading needs can be protected under the multilateral trading system order.⁸¹

Countries, such as, China, India and Brazil, have changing power dynamics in international affairs with regards to bilateral and regional trade agreements. While the United States and the EU maintain their superpower status, it is increasingly being challenged in the world sphere by the BRICS members, such as China, India and India. The developing countries (BRICS countries) have increased their influence and are demanding a larger role in the decision making processes.

2.4.3 WTO decision making process: the Green Room process

As shown above, the involvement of developing countries in the WTO decision making process is changing the way in which consensus is reached. In particular the Green Room process has caused the developing countries to complain that their views are not reflected in the decision making process.⁸² The Green Room started in the GATT 1947 period and is still used minimally in the current WTO decision making process; however, it is not provided for in the WTO Agreement and is said to exclude many developing countries.

The anomaly of the Green Room, which is seen to be discriminatory by developing countries, is the fact that participation in the Green Room meetings is strictly by invitation.⁸³ The partial participation by developing countries has raised the question of a non-democratic system in the organisation. However, developed countries have made recommendations. These accord the developed countries a greater voice based on the assumption that they have more influence in international trade. In this regard, the right to effective participation in international trade has been accorded to certain countries taking into consideration their economic weight and their population demographic. However, the WTO policies eventually

⁸¹ Bossche P & Zdouc W *The Law Policy of the World Trade Organisation* 3ed (2013) 19-20.

⁸² Jones K 'Green room politics and the WTO's crisis of representation' (2009) *SAGE Progress Development Study* 349 350.

⁸³ Jones K 'Green room politics and the WTO's crisis of representation' (2009) *SAGE Progress Development Study* 349 350.

have an effect on all people. Jacobs explains that the WTO's culture on consensus is misleading. He underlines that:

‘Consensus means that states have a veto right on any decision, suggesting that the WTO is a strong confederation. But the reality is not so commendable. Each state's real veto capacity is directly proportional to its weight in world trade. The US, the European Union and Japan have the capacity to veto anything at the WTO, even though their negotiating positions can be severely affected by intransigence. That is because these three markets are so big that secession by any one of them would create huge competitive imbalances that global business could not tolerate. Votes do not take place at the WTO because if, say, the US were put in minority on a treaty amendment, she would secede and the WTO would collapse....By contrast, “if small economies” were to reject treaty amendments, global business would not be overly disturbed and the WTO would move on, possibly expelling dissenting states in order to maintain the discipline that underpins its success. (Such scenarios are rarely mentioned publicly, but they are the big elephant in the middle of the WTO's negotiating room.) Hence, when a round of WTO negotiations comes to an end and it is clear that most states support a proposed deal, each Quad member faces two alternatives: accept the new deal or impose the status quo on everybody. The alternatives faced by any individual developing country are quite different: accept the new deal or be prepared to be pushed out of the WTO.’⁸⁴

However, despite this argument, Jacobs's point of view is limited to developed countries in terms of their economic weight in world trade. He does not outline the power of developing countries, such as, the BRICS group. It is suggested that these emerging countries should have the capacity to veto anything at the WTO. If the principle of the economic weight and population demographic is one of the major principles to be used BRICS members, such as China India and Brazil, should have an automatic seat in the Green Room and in the multilateral trading system negotiation at all because there are huge and competitive in the world market. The next section will examine the proliferation of PTAs due to the undemocratic and impartiality system in the WTO.

2.5 The WTO decision making process: developing countries and the proliferation of preferential trade agreements

A history of international trade among states under the GATT and the WTO has determined the method of negotiation among countries in the WTO's decision making process.

⁸⁴ Jacobs D ‘Democratising Global Economic Governance’ (2002) *Oxfam America Working Paper 4*.

Throughout this period, the GATT was viewed by developing countries as an institution of rich countries.⁸⁵ Developing countries found that the principle of non-discrimination in GATT Articles II and XVII and non-democratic participation in trade relation were inequitable to their interests.⁸⁶ Paragraph 4 of the Doha Ministerial Declaration adopted in Doha in 2001, provides the mandate for the negotiations of the Doha Round, and states that the needs and interests of developing countries are at the heart of the Doha Development Agenda (DDA). Nonetheless, developing countries have made use of Article XXIV of the GATT to enter into PTAs as a forum to better address their interests.

The limited participation of developing countries in the WTO negotiations has influenced them to make use of PTAs as a means of securing involvement in the WTO negotiations. Developing countries, therefore, are entering into PTAs to enhance their positions within their own regions as well as in the multilateral level.

As a result PTAs are on the increase in the multilateral trading system. This proliferation is not only as a result of the benefit of enhanced participation in the multilateral level. Developing Countries have benefitted in other ways as well. These benefits are evident in the success of MERCOSUR⁸⁷ as well as NAFTA. Thus a large number of PTAs has now emerged as a critical element of the consensus process in the multilateral trading system.⁸⁸

The major challenge of the WTO is to reflect an agenda where all members can live well and within the means of the world. This has developed into one of the most pressing problems within the global trading system. The decision making process in the WTO should in the future take into account the position of all WTO members especially the developing ones. Currently, PTAs play an important role in the multilateral trading system. Developing countries see PTAs as a way to attempt closer relations with other regional groupings in the multilateral trading system.

⁸⁵ Narlikar A 'New powers in the club: the challenges of global trade governance' (2010) 86 (3) *International Affairs* 727.

⁸⁶ Matsushita M 'Basic Principles of the WTO and the Role of Competition Policy' (2004) 3 *Washington University Global Study Law Review* 374.

⁸⁷ Krueger A 'Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?' (1999) 13 (4) *Journal of Economic Perspectives* 111.

⁸⁸ Krueger A 'Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?' (1999) 13 (4) *Journal of Economic Perspectives* 114.

2.6 Conclusion

As discussed above, the decision making process is not an easy task having regard to the principle of consensus and the issues of legitimacy in the WTO. The interesting hypothesis relating to the decision making process is that the process attempted to provide a better framework for the future but its form has not yet been achieved. Decision making is the result of essential principles at the heart of the trade system.

This chapter has highlighted the WTO rules and the partial participation of the developing countries in the WTO decision making process. It has shown the proliferation of PTAs and that this construct has been an important development in the governance of the WTO. In reforming the WTO decision making process, the WTO Agreement does not in any way create a problem as members can resort to decision making solely by consensus. Decision making has brought a change to the global economy under the WTO order. In contrast to the fundamental principle of the WTO system, namely, consensus, one member one vote, the WTO has slowly progressed with this method in applying the international law principle of sovereign equality with respect to legitimacy in the WTO. In fact, the WTO is the only IGO where all countries members have the same power and authority. Although all of these principles are applicable in theory, in practice it does not seem to be so.

The consensus building process has currently emerged as a critical element of coalition building due to the exclusion of the majority of the developing countries from the informal consensus building decision making processes in the WTO. While the coalition of developing countries was disheartening and seen as a threat to the trading system under the GATT, the WTO Secretariat has deliberately moved to include coalitions in decision making processes by recognising their function as representatives of countries' constituencies. Sovereign equality is seen as restricted by the unequal weight of countries in decision making. Nevertheless, the countries that agree to organisations that practise weighted voting do so as a legitimate expression of their sovereignty.

Developing countries, such as, the BRICS group, will not recognise any decision made without their involvement in the WTO decision making process in the further development of the system as it was in the GATT period. BRICS countries are progressively interested in having a greater impact on the international decision making process. Managing the influence of these emerging powers and reforming global institutions will become significant issues for

a future effective global governance system. Decision making is still undemocratic, a fact of which the conflict between the principle of equality of sovereignty and the reality is evidence.



CHAPETR 3

THE ROLE AND IMPORTANCE OF INTERGOVERNMENTAL ORGANISATIONS IN THE CURRENT MULTILATERAL TRADING SYSTEM

3.1 Historical background and theoretical basis of intergovernmental organisations

An international organisation (IO) is an institution drawing membership by a formal agreement or treaty which is designed to achieve a common objective or multiple interests, such as, political, economic, environmental and social ones.⁸⁹ Membership of an IO can include States, namely, intergovernmental organisations (IGOs) as well as, non-states namely, non-governmental organisations (NGOs).⁹⁰ However, IGOs range in size depending on their geographic area of jurisdiction, such as, the European Union (EU), the African Union (AU), the International Monetary Fund (IMF), the World Bank, the World Trade Organisation (WTO), and the United Nations (UN). Their organisational framework can be simple or highly complex depending on their size and responsibilities. The purpose of the increase in IOs such as IGOs is to have a neutral forum where countries can participate and discuss the problems that have been significant all over the world, for example the Uruguay and Doha Rounds negotiations. This increase has been significant in the multilateral trading system, especially after the deferral of the Uruguay and Doha Rounds negotiations.

IGOs also serve suitable purposes for individual states, which often use them as instruments of foreign policy to legitimate their actions and to force change in the behaviour of other states.⁹¹ Wallace and Singer argued that these organisations are the emanation of members' states and therefore only have the powers granted by them under international treaties or agreements.⁹² In the absence of treaties or agreements the IGO does not exist in the legal sense.

⁸⁹ White N *The Law of International Organisations* 2ed (2005) 2.

⁹⁰ Law D *Intergovernmental Organisations and Security Reform* (2007) 6-9.

⁹¹ Volgy T, Fausett E, Grant K & Rodgers S 'Identifying Formal Intergovernmental Organizations' (2008) 45 *Journal of Peace Research* 849 851.

⁹² Wallace M & Singer D 'Intergovernmental organisation in the global system, 1815–1964: A quantitative description' (2007) 24 *International Organisation* 239 270.

NGOs, nevertheless, are principally suitable for organising public support, monitoring the effectiveness of international aid, and providing information and expertise. They play an important role in international relations.⁹³

Originally, the principal aims of IGOs were to create a mechanism for the world's inhabitants to work more positively together in the areas of peace and security and also to deal with economic questions relating to the multilateral trading system.⁹⁴ In the current era of increasing globalisation and interdependence of nations, IGOs have come to play a very significant role in the international trade system and global governance. IGOs have facilitated progress of the conduct codes for corporations and international treaties.⁹⁵ It is important to note that IGOs give legitimacy to undertakings in the manner that a state acting alone cannot. The EU and the WTO reflect the most characteristic quality of an IGO in that IGOs are constructed by states to facilitate co-operation. The main effectiveness of IGOs lies in providing states with a forum which they can use to negotiate conflicts. IGOs are also useful to states in a number of other ways, such as:

- Providing a forum for discussion. They make it less costly for states to discuss issues with one another.
- Serve as information providers. The enhanced transparency helps to minimise misperceptions.
- Support and facilitate issue linkages, which may facilitate co-operation.
- Allow states to take a long term perspective, which makes them less concerned about immediate pay-offs.⁹⁶

Nevertheless, there are specific state alliances created in recent years which have demanded more democracy in the multilateral trading system. Most of these associations do not have any treaty or legal agreement but are seen in international affairs as IGOs because they play significant roles in the international trade market and often adopt positions to defend their interests. Example of IGOs recently created include the BRICS coalition (Brazil, Russia,

⁹³ Wallace M & Singer D 'Intergovernmental organisation in the global system, 1815–1964: A quantitative description' (2007) 24 *International Organisation* 247.

⁹⁴ Boehmer C, Gartzke E & Nordstrom T 'Do intergovernmental organisations promote peace?' (2004) 57 *World Politics* 1 2.

⁹⁵ Wallace M & Singer D 'Intergovernmental organisation in the global system, 1815–1964: A quantitative description' (2007) 24 *International Organisation* 246.

⁹⁶ Brahm E 'Intergovernmental Organizations (IGOs)' available at <http://www.beyondintractability.org/essay/role-igo> (accessed 17 October 2013).

India, China and South Africa), the Cotton Four Group (C4) (Benin, Burkina Faso, Mali and Chad), the Non-Agriculture Market Access Group (NAMA11) and the G Group Coalition.⁹⁷ The growth of large trading blocs has underscored both regional and international interdependence, although it has also stimulated and institutionalised rivalries between different blocs, such as, developed and developing countries, in the WTO decision making process.⁹⁸ A particular problem is posed when such coalition states take a position, and when a change of their share in the global economy generates variations and influences the international decision making framework.

This chapter will focus on the evolution of the G Group which plays an important role in the global trade system, and BRICS group which is seen as a new economic power in the multilateral trading system. The chapter also assesses the inclusion of the C4 Group and NAMA11,⁹⁹ formed by least developing countries in the WTO Doha Round. The chapter is divided into three sections. The first explores the historical evolution of the G Group, and seeks to provide an understanding of the reason why the G Group was formed. Following this section, the chapter outlines the contribution of role of coalition groups, such as, the NAMA11, and C4 Group at the WTO negotiations supported by the at least one of the BRICS members. The second section considers the importance of the BRICS countries in the current multilateral trading system, and examines the areas in which BRICS can make a difference in the multilateral trading system with regard to the WTO rules. The final section provides concluding observations.

3.2 Historical evolution of the G Group

The existence of a global economic crisis in 1970 and the degree of economic interdependence between the developed countries was so high that the solution to the crisis was through international co-operation by the creation of institutions, such as, the IMF, the World Bank, the WTO and the G Group.¹⁰⁰ Constant through the entire process that led to the

⁹⁷ The intergovernmental groups, such as, NAMA11 Cotton 4 and G Group, are informal groups which have been created to defend their interest in WTO negotiations.

⁹⁸ Narlikar A 'New powers in the club: the challenges of global trade governance' (2010) *International Affairs*, 86, 717-728.

⁹⁹ NAMA 11 consist of developing countries who want to get flexibilities to limit opening markets in industrial products. South Africa, Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, Venezuela and Tunisia constitute the members of this group.

¹⁰⁰ Pianta M & Zola D 'The rise of global movements, 1970-2005' (2005) *Working Paper for ACI Meeting*, Paris 30 September-1 Oct 2005, 1 3.

G20, was the word 'crisis', which appeared on the agenda at the first informal G5 meetings organised in the early 1970s. These meetings were held in a very specific context, marked by the crisis. In 1975, these meetings formalised at the level of Heads of State and became the first G6 with the addition of Italy, and the G7 in 1976, with the entry of Canada. Russia participated in some of the meetings with the G7 leaders in the early 1990s, and officially joined the group in 1997; the G7 therefore became the G8.¹⁰¹ These groups were established to discuss world affairs honestly and without protocol, in a relaxed and informal atmosphere. Furthermore, the intention was to have meetings for good governance and to provide a forum for consultation and decision making in the multilateral trading system.¹⁰²

In 1999 the informal coalition group of developing countries was formed. The G20 was established to promote growth and economic development in the global economy.¹⁰³ The G20 is a forum for the political leaders of the world's most advanced and emerging economies and a representative from the EU.¹⁰⁴ Collectively, the G20 members are estimated to contribute around 80 per cent of the world's Gross National Product (GNP) and represent 80 per cent of world trade and two-thirds of the world's population. The G20 was originally intended to be an annual informal meeting of finance ministers and governors of central banks of industrialised and emerging countries to facilitate international co-operation in multilateral trading system matters. Following the economic crisis in 2000, the G20 has become an important forum for economic and financial co-operation.¹⁰⁵

In 2013, the G20 summit at Saint Petersburg provided a framework for sustainable stability development and co-operation. The consolidation of this framework has attained some objectives for alliance in international trade system because the policy has been institutionalised.¹⁰⁶ One of the elements of this framework is the reform of the multilateral trading system to promote the Agenda of trade and financial matters. Global development however, has undergone many difficulties after the economic crisis in 1999, and the sustainability of this development has not re-balanced world demand as yet. The strategy

¹⁰¹ Dobson H *The Group of 7/8* (2007) 7.

¹⁰² Qureshi Z 'G20: Global Growth and Development Agenda' (2010) 5 (31) *International Organisation Research Journal* 25 30.

¹⁰³ Smith G 'G7 to G8 to G20: Evolution in Global Governance' (2011) *CIGI Working Paper* 5.

¹⁰⁴ <http://www.g8.utoronto.ca/g20/g20whatisit.html> (accessed 16 October 2013).

¹⁰⁵ Mark B & Stephen B 'The G20 and the policy of international financial sector reform: robust regimes or hegemonic instability?' (2005) 174 *CSGR Working Paper* 4.

¹⁰⁶ G20 leader's Declaration 2013 saint Petersburg available at <http://g20.org/news/20130906/782776427.html> (accessed 16 October 2013).

undertaken by the G20 framework draws upon the lessons learned from the multilateral negotiation of the WTO, the IMF and the World Bank.¹⁰⁷

3.3 The NAMA 11 Group

The Fifth WTO Ministerial Conference held in Cancun, Mexico, in September 2003 has become memorable due to the coalition of countries in relation to agriculture.¹⁰⁸ NAMA-11 was formed at the 6th WTO Doha Round of the multilateral trading system at the Hong Kong ministerial meeting. Nevertheless, during the period of the Hong Kong ministerial meeting, the NAMA-11 coalition has developed as an important group in the negotiations of the Doha Round on industrial tariffs (non-agricultural market access), as well as with regard to the role played by the G20 in the Doha Round on agriculture negotiations.¹⁰⁹ This coalition has provided a rational response to the problem of unequal negotiating power in the WTO with regard to market access in the industrial sector. Furthermore, BRICS members are actively involved in protecting and participating as negotiators for the LDCs countries based on the need for developing countries to advance the liberalisation and reform of agriculture in the developed world, with concerns for social justice and development in developing countries¹¹⁰. The contribution, of new emergent countries in the WTO negotiations is, therefore, not only in their own interest but also for the LDCs for good governance in the multilateral trading system, and particularly in respect of agricultural negotiations.

Therefore, it appears that a coefficient of tariff reduction of 10 would lead to an average reduction of 21 per cent for the US and 23 per cent for the EU, while a coefficient of tariff reduction of 20 would imply a reduction of 58 per cent for Brazil, 62 per cent for India, 42 per cent for South Africa and 28 per cent for China. The average bound rate would be reduced from 46.6 per cent to 13 per cent for India, from 29.8 per cent to 11.7 per cent for Brazil, 9 per cent to 5.6 per cent for China, and 19 per cent to 8.8 per cent for South Africa. Even a factor of 35 reduces the bound tariff rates in most developing countries more than in developed ones (45 per cent for Brazil, 52 per cent for India, and 32 per cent for South

¹⁰⁷ Lavigne R & Sarker S 'The G-20 framework for strong, sustainable and balanced growth: macroeconomic coordination since the crisis' (2012-2013) *Bank of Canada Review* 1.

¹⁰⁸ Ismail F 'Developing Country Coalitions in the WTO Doha Round: The NAMA 11' (2011) 2 *CRP* 1 3.

¹⁰⁹ Fergusson I 'World Trade Organization Negotiations: The Doha Development Agenda' (2011) *Congressional Research Service* 1 15.

¹¹⁰ Amorim C 'Statement to the 60th Session of the UN General Assembly' 17 September 2005.

Africa, country for example).¹¹¹ The reduction rate applied is lower (except for China) due to excessively high tariffs in developing countries. The proposed coefficients for developing countries impose a rate reduction two to three times higher than in developed countries.¹¹²

The NAMA-11 Group argued that the tariff lines should be revised upwards because the conditions limit flexibility. The important point of the NAMA-11 discussion was in paragraph 24 of the Ministerial Declaration.¹¹³ To profoundly respect the instruction reciprocity in the multilateral trading system, a differential coefficient has been projected for all Doha Round participants. This coefficient has been calculated by the NAMA-11 Group to an average cut of 25 per cent for developed countries and an average cut of 65 per cent to 70 per cent for developing countries.¹¹⁴

3.4 Market access for developing countries and Least Developing Countries at Doha.

The objective to achieve market access in the multilateral trading system was one of the main arguments of the WTO Doha Round negotiations.¹¹⁵ The aim was to establish a more coherent product which would better respond to the specific needs of the beneficiaries of trade. It is true that the Doha cycle, unlike successive GATT Rounds has involved real negotiations on agriculture. However, the opening of markets to trade in services, and a review of trade facilitation, were persisted with in the Singapore negotiations.¹¹⁶ This complexity is offset today by greater diversity of countries involved in the negotiations, since developing countries and economic groups in transition are now taking a more active role, such as the BRICS countries, the NAMA 11, and the Cotton Four. The variety of actors is no doubt greater than during the Uruguay Round, and the G20. This plays a key role in supporting developing countries, especially in the field of agriculture.¹¹⁷

¹¹¹ Ismail F 'Developing Country Coalitions in the WTO Doha Round: The NAMA 11' (2011) 2 *CRP* 1 10.

¹¹² WTO and UNCTAD, Reports on G20 trade and investment measures 2010 available at http://unctad.org/en/PublicationsLibrary/unctad_oecd2010d10_en.pdf (accessed 24 May 2013).

¹¹³ See the Ministerial declaration available on the following website:

http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text (accessed 23 July 2013).

¹¹⁴ Fergusson I 'World Trade Organization Negotiations: The Doha Development Agenda' (2011) *Congressional Research Service* 1 16.

¹¹⁵ Heydon K 'After the WTO Hong Kong Ministerial Meeting: What is at stake?' (2006) OECD Trade Policy Working Paper No 27, 1-12.

¹¹⁶ Hohmann H *Agreeing and Implementing the Doha Round of the WTO* (2008) 476.

¹¹⁷ Fergusson I 'World Trade Organization Negotiations: The Doha Development Agenda' (2011) *Congressional Research Service* 1 8.

Although the objectives of the Doha Round seem to depend primarily on the overall capacity of the US and the EU to agree in advance, it is significant that the real engine of the negotiations, despite some delays, was the new Quad composed of the US, the EU, BRICS members (such as, India and Brazil), and supplemented on occasion by Australia, with whom they formed the group of five interested parties.¹¹⁸ This negotiation, which includes the EU, the US, Brazil and India, has played a key role on the agenda on the direction of negotiations. In Hong Kong, the main objective was to save the WTO. Thus, the role of Brazil and India as BRICS members was to obtain the consent of the developing countries to an unfair agreement that would make it possible, given the reluctance of the EU and the US to make substantial concessions in agriculture, for a good trade balance in the multilateral trading system.¹¹⁹

Through this stage of development, there was a lack of explicit re-affirmation of the need to conclude the cycle for the year 2010 (as was the case for the G8 Summit in L'Aquila in July 2009). Otherwise, in consideration of a new deadline, the WTO Director General, Pascal Lamy, mentioned the desire to start assembling all the tricks of negotiations to make it easier for all WTO members.¹²⁰

Under the approach as presented in March 2010 by Lamy at a meeting of the Trade Negotiations Committee (TNC), three ingredients describe the process of consultations and meetings held by the Presidents regarding the negotiating issues: first, consultation with the Director General Groups (grouping of interests in which different member States are represented); secondly, meetings of the TNC to maintain transparency; and thirdly, inclusion and organisation of meetings by members in various forms and configurations.¹²¹ In addition, the enlarged meeting supported by the EU and India (including, in addition to these members, Australia, Argentina, Canada, Egypt, Japan and Mexico, the C4 represented by Burkina Faso, agricultural G20 represented by Brazil, G33 represented by Indonesia, G10 represented by Switzerland, NAMA-11 represented by South Africa, the LDC group represented by Zambia, the African Group, represented by Gabon, the ACP Group

¹¹⁸ Fergusson I 'World Trade Organization Negotiations: The Doha Development Agenda' (2011) *Congressional Research Service* 16.

¹¹⁹ Lee D & Wilkinson *The WTO after Hong Kong: Progress in, and prospect for Doha development agenda* (2007) 161.

¹²⁰ Chair's Summary L'Aquila, 10 July 2009 available at http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13_e.htm (accessed 22 July 2013).

¹²¹ Trade Negotiation committee on 26 March 2010 'Stocktaking ends with collective determination to start building global Doha package' available at http://www.wto.org/english/news_e/news10_e/tnc_dg_stat_26mar10_e.htm (accessed 28 May 2013).

represented by Mauritius, and small vulnerable economies represented by Barbados) and a ministerial meeting on the side-lines of a major event of the OECD, with the participation of South Africa, China, India and Brazil as participants (May 2010), have amply demonstrated the position of developing countries on the issue of agriculture (mainly cotton and NAMA) in the negotiations of the Doha Round.¹²² Twenty-five of the thirty one 31 LDCs that are members of the WTO come from Sub-Saharan Africa. This means that the support of BRICS countries is important in the WTO negotiations because BRICS creates a crucial balance between developing countries and developed countries.

3.5 The Cotton 4 Group

Benin, Burkina Faso, Mali and Chad are the four signatories of a proposal for a sectorial initiative in favour of cotton, filed on 30 April 2003 at the WTO on behalf of all producing countries in West and Central Africa.¹²³

This innovative initiative provided a focal point at the ministerial meeting of the West African Economic and Monetary Union (UEMOA), and required the commitment of member countries of the WTO to gradually reduce subsidies to cotton farmers in developed countries. Regarding the implementation schedules for local farm subsidies to ensure the survival of their industry, the African initiative called for emergency, financial compensation for loss of income.¹²⁴ In this regard see, for example, the dispute between of Brazil against the US with regard to cotton. According to the cotton development negotiation, the C4 Group regretted that there had been no progress in the talks; and they wanted improved assistance with more focus on their cotton.

With regard to this lack of negotiation on cotton, the C4 Group has proposed less trade and reform of the domestic subsidies policies.

¹²² Ismail F 'Developing Country Coalitions in the WTO Doha Round: The NAMA 11' (2011) 2 *CRP Working Paper* 1 6.

¹²³ Gordon R 'Sub-Saharan Africa and the Brave New World of the WTO Multilateral Trade Regime' (2013) 79 *Berkeley Journal of African-American Law & Policy* 112.

¹²⁴ Schnepf R 'Brazil's WTO Case against the US Cotton Program' (2011) *Congressional Research Service* 1 5.

3.5.1 Cotton 4 Group proposals at the Doha Round

On 16 February 2006 the C4 group was the author of a sectorial initiative on cotton in the WTO negotiation.¹²⁵ West and Central Africa countries have undertaken internal market reforms in order to make their individual cotton sectors more competitive in the multilateral trading system; however, these reforms have been practically invalidated by the subsidies given by other WTO members to cotton farmers.¹²⁶ The C4 Group indicated higher percentages of reduction of all domestic support which distorts trade, which includes the Aggregate Measurement of Support (AMS), *de minimis* support and the blue box that should apply to the cotton reduction rate which would differ in different countries,¹²⁷ as follows:

General reduction rate	Cotton reduction rate	Differential rate
60 per cent	82.2 per cent	22.2 per cent
70 per cent	84.3 per cent	14.3 per cent
80 per cent	88.3 per cent	8.3 per cent
90 per cent	93.7 per cent	3.7 per cent
100 per cent	100 per cent	0 per cent

Source: International Centre for Trade and Sustainable Development (ICTSD) 2008.

¹²⁵ The original proposal, WTO Negotiations on Agriculture, Poverty Reduction: Sectorial Initiative in Favour of Cotton: Joint proposal by Benin, Burkina Faso, Chad, and Mali, Committee on Agriculture, Special Session, TN/AG/GEN/4, May 16, 2003, revised in WTO, General Council, Poverty Reduction: Sectorial Initiative on Cotton: Wording Paragraph 27 of the Revised Draft Cancun Ministerial Text: Communication from Benin, WT/GC/W/516 Oct (2003) available at

<http://www.agradepolicy.org/output/resource/CottonSubmissionWTO.pdf>. (accessed 12 September 2013).

¹²⁶ See the WTO, committee on Agriculture, Joint proposal by Benin, Burkina Faso, Chad and Mali, Poverty Reduction in Favor of Cotton 2003 available at

<http://www.agradepolicy.org/output/resource/CottonSubmissionWTO.pdf> (accessed 12 September 2013).

¹²⁷ Jales M 'How would a trade deal on cotton affect exporting and importing countries?' (2010) *ICTSD Working Paper* 1 5.

However, there is no doubt that, in the spirit of the C4 Group and many WTO members, the question of the reduction of domestic support for cotton, as suggested in paragraph 11 of the Declaration of Hong Kong Ministerial Decision,¹²⁸ where members had agreed on the objective of negotiations, internal of the cotton production. Nevertheless, paragraph 4 of the Doha Ministerial Declaration¹²⁹ stated that it falls within the mandate of the framework agreement of 1 August 2004. The members re-affirmed their commitment to ensure a high priority for cotton and to establish procedures that fully comply with the terms of the August 2004 Decision.¹³⁰

African mobilisation of the cotton issue in Hong Kong was the continuation of a process that began nearly three years earlier with the submission of the sectorial initiative in favour of cotton by the C4 Group. In Hong Kong, the C4 Group, supported by whole process of lobbying for trade liberalisation in cotton in particular the BRICS countries, called for timely regarding the demand of poverty reduction that has been stalled in Cancun Ministerial Declaration.¹³¹ However, if the capacity of African countries in negotiations has undoubtedly strengthened, the results are diverse. They have been successful with regard to some matters, such as, elimination of export subsidies and access without duties or quotas for LDCs cotton.¹³² On this latter point, it is noted that it is likely that this represents a very significant benefit compared to the current situation, because cotton growing markets are located in most developing countries and in particular in China and India.

This strong pressure from African countries C4 Group and the support from BRICS countries resulted in developed countries making the following proposals for the cotton sector:

- The elimination of export subsidies for cotton in 2006;
- Access without tariffs or quotas to LDC cotton markets of developed countries;
- A decrease of internal support to the cotton sector in developed countries; and finally,

¹²⁸The WTO 'The Doha work program, Ministerial Declaration' (2005) available at http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm (accessed 24 May 2013).

¹²⁹ The WTO 'The Doha work program, Ministerial Declaration' (2005) available at http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm (accessed on 24 May, 2013).

¹³⁰ Baffes J 'Cotton Subsidies, the WTO, and the 'Cotton Problem' (The World Bank working paper 2011) 12.

¹³¹ Yager L *World Trade Organisation: Limited Progress at Hong Kong Ministerial Clouds Prospects for Doha Agreements* (2006) 20. See also C4 proposal Act TN/AG/GEN/4, dated 16 May 2003.

¹³² Heydon K 'After the WTO Hong Ministerial Meeting: What is a stake?' (2006) 27 *OECD Working Paper* 14.

- A call for increased international aid to the African cotton sector, designed to increase its competitiveness.¹³³

3.6 The BRICS Group

The term 'BRICS countries' initially came from the acronym BRIC (Brazil, Russia, India, and China). The idea of BRIC was created by Goldman Sachs.¹³⁴ It was pointed out that BRIC would play an increasingly important role in the global economy over the next 50 years and it was argued that the economies of the BRIC countries could be a major force in the global economy by 2050. The four countries started to meet as a coalition which shares similar interests in 2006. After their first summit on 16 June 2009 in Yekaterinburg,¹³⁵ Russia, the four countries called for a world based on the rule of international law, fairness, reciprocity, support, co-ordinated action, and collective decision making of all members. It was only in 2010 that South Africa was invited to join the group, which has expanded the acronym to BRICS.¹³⁶

The chief influence of BRICS in international trade is due to their demographic and strategic geographic sizes, principally in Low Income Countries. Currently, amongst the BRICS countries the aim is to gain more influence in the multilateral trading system. The possible creation of their own system of national currency loans for payments seems a positive step for the further development to reducing the dependency on the two global reserve currencies, the US dollar and the Euro. The BRICS countries seek to build co-operation that is able to challenge the global market. Additionally, they are also committed to advance the reform of international financial institutions, so as to reflect changes in the global economy.¹³⁷

The BRICS countries have indeed influenced the framework of the multilateral trading system.¹³⁸ For example, in the WTO Doha Round, the Cotton Four Group and NAMA11 received the support of BRICS members, such as, Brazil, China and India, regarding the

¹³³ Africa and the Doha Round November Oxfam Briefing paper (2005) 12.

¹³⁴ Goldman Sachs, Building Better Global Economic BRICs, Global Economics 2001 66 available at <http://www.goldmansachs.com/ourthinking> (accessed 11 October 2013).

¹³⁵ See <http://www.brics5.co.za/about-brics/summit-declaration/first-summit/> (accessed 11 October 2013).

¹³⁶ Singh S & Dube M 'BRICS and the World Order: A Beginner's Guide' (2011) *CUTS and SAIIA Working Paper 1*.

¹³⁷ Joint Statement of the BRIC Countries' Leaders available at <http://archive.kremlin.ru/eng/text/docs/2009/06/217963.shtml> (accessed October 17, 2013).

¹³⁸ De Almeida P 'The Brics' role in the global economy' (2009) Working Paper trade and international negotiations for journalists 1 7.

patent regime and access to medicines, agriculture, and non-agricultural market access.¹³⁹ At the WTO, all three have major trading interests: Brazil in agriculture, China in manufacturing, and India in services.¹⁴⁰

Also, their framework to launch a Development Bank, with the objective to reduce the group's dependence on the Bretton Woods institutions, such as, the IMF and the World Bank, is seen as an important step in the multilateral trading system.¹⁴¹ The BRICS framework constitutes a key for the evolution of their recent economic dynamism and growing economic capacity.¹⁴² This construction follows the idea of South-South-Co-operation (SSC), which is established on solidarity, shared experiences and autonomy of the South.¹⁴³

In this regard, it is interesting to note that the structure of BRICS countries is not based on the framework of organisations, such as, the WTO or the EU, which are probably the most democratic and most formal of all the international institutions with a global mandate. The BRICS country framework is based on economic weight, geographical position of each country, and population.¹⁴⁴ Furthermore, the BRICS framework is progressively characterised by the practice of non-institutionalised mechanisms of global governance and network based diplomacy, as well as the growing economic interdependence of states.¹⁴⁵ The BRICS countries are principally playing a lobbying role which is not recognised at the international level as a formal international institution. For example, the consensus principle and the principle of one-member one vote which are recognised in the WTO system are not applicable in the BRICS countries. Although the consensus principle and the principle of one member one vote are not the only way to be a formal institution, they are, however, an example for the new groups who flourish in the multilateral trading system. Therefore, the role of BRICS countries could become more important in the multilateral trading system, not as individual members but as a coalition group if the group sets a framework based on

¹³⁹ Anderson S & Taylor M 'The Road to effective discipline of agriculture subsidies' (2009-2010) Business Law Brief 1 6.

¹⁴⁰ Anderson S & Taylor M 'The Road to effective discipline of agriculture subsidies' (2009-2010) Business Law Brief 1 6. See also Roett R *New Brazil* (2011) 140.

¹⁴¹ ICTSD 'BRICS Seek to Cement Position in Global Economic Landscape' (2013) 17 (11) Bridge Weekly 1 2.

¹⁴² ICTSD (2013) 17 (11) Bridge Weekly 1 3.

¹⁴³ Pedro M, Irene K, Doris K & Thobias S 'The Role of BRICS in the Developing world (2012) European Parliament 1 4.

¹⁴⁴ Hopewell K 'A Delicate Dance: The Rise of New Developing Country Powers in the Multilateral Trading System' Jan (2010) *AGORA workshop* 1 5.

¹⁴⁵ See the concept of participation of the Russian Federation in BRICS (2012) 2.

fundamental principles, such as, the democratic principle, the consensus principle and the transparency principle.

3.6.1 The role of the BRICS group in the multilateral trading system

For over 50 years the multilateral trading regime was dominated by rich countries, such as, the US, the EU countries, and Japan, under the General Agreement on Tariffs and Trade (GATT).¹⁴⁶ The Marrakech Agreements introduced the concept of trade liberalisation in the global economy, significantly impacting on developing countries in the multilateral trading system. Following this period, developing countries, such as, the BRICS countries, have sought to play an important role in the multilateral trading system. The role of the BRICS countries in the multilateral trading system as new emergent countries has expanded and progressed to the formulation of common approaches to crucial issues on the international agenda.¹⁴⁷ They have thus achieved important gains in the multilateral trading system during the last few years.

During 2011-2013, BRICS economies marked an average growth rate of 4.11 per cent, as compared to the 1.3 per cent average growth rate of developed countries. This shows that the BRICS countries remain a significant dynamic force of the multilateral trading system and that their role in the global economy, including all the G20 economies, continues to grow. In future years, this trend is expected to continue, as growth is forecast to remain above 10 per cent, far outperforming that of the developed world.¹⁴⁸ The BRICS countries are deeply committed thereto, and are influential members of the WTO.¹⁴⁹ Over the last few years, the BRICS countries have had more positive economic changes than other IGOs, such as the EU.¹⁵⁰ For example, when looking at the extent of nominal economic size between BRICS countries, the multiple for Brazil is over 4 times, India 5 five times, China over 14 times, and South Africa by over 4 times of Gross domestic product (GDP). Furthermore, the position of

¹⁴⁶ Under the GATT regulation, developing countries was not involved; most of the GATT treaty was in favour of developed countries although these agreement included developing countries.

¹⁴⁷ The BRICS countries' role in the multilateral trading system is determined by a number of fast-growing that required significant influence in international trade relations. Their role seeks to influence the current discussions at the WTO, based on their own aims and interests.

¹⁴⁸ Zurn P, Romisch-Diouf M, Acharya S, Barber S, Menabde N, Migliorini L, Molinae & J O'Learyf M 'BRICS and global health: a call for papers' (2013) 91 *Bull World Health Organ* 466 466.

¹⁴⁹ Cassiolato J & Vitorino V *BRICS and Development alternatives: Innovation system and policies* (2009) 9.

¹⁵⁰ Cassiolato J & Vitorino V (2009) 10.

this group will progress in term of the Purchasing Power Parity (PPP) criterion.¹⁵¹ According to Melchior the economies of BRICS countries will continue to growth by 2030 in the future multilateral trading system particularly China which presents a fast growth annual GDP.¹⁵²

With the incredible growth of the BRICS group in the multilateral trading system, China has appeared as the second world largest economy, followed by Brazil in fifth position, Russia in eighth and India in tenth.¹⁵³ This significant growth trend in GDP reflected the important place of BRICS countries in the further development of the multilateral trading system. According to Narlikar, it is an important indicator of the motivations driving growing powers and the impact that they might have on the balance of power as well as the norms that underlie the system.¹⁵⁴

Additionally, the place of BRICS in the multilateral trading system has become more important in terms of donations and participation at the G20 summit and at the WTO negotiations.¹⁵⁵ These have given in complex changes about the potential and importance of BRICS in reforming the international trade order.¹⁵⁶ Co-ordination and co-operation constitute valuable considerations in the BRICS Group on issues of common interest. BRICS countries have enabled the evolution of convergence positions on many global issues, such as, reform of the international financial system, the WTO, support for a democratic and multi-polar world order, and many regional and political issues.¹⁵⁷

BRICS countries have also successfully supplemented this balancing process as a state coalition, in particular in comparison with other international co-operation efforts relating to the multilateral trading system.¹⁵⁸ Similarly, BRICS countries have been an important part of

¹⁵¹ Baracuhy B 'The Geopolitics of Multilateralism: The WTO Doha Round Deadlock, the BRICs, and the Challenges of Institutionalised Power Transitions' (2012) 4 *CRP Working Paper* 1 6.

¹⁵² Melchior A 'BRICS and the economic decline of the old world, 1990-2030' (2012) Working Paper ONS Summit.

¹⁵³ See IMF world economy outlook database available at <http://www.imf.org/external/pubs/ft/weo/2013/02/weodata/index.aspx> (16 October 2013).

¹⁵⁴ Narlikar A 'How new powers test their mettle in the international system' (2012) DGAP available at <https://ip-journal.dgap.org/en/ip-journal/topics/bargaining-raise> (accessed 21 October 2013).

¹⁵⁵ See 'the role of BRICS in the developing world' available at <http://www.ecologic.eu/4738> (accessed 16 October 2013).

¹⁵⁶ Hanrahan C & Schnepf R 'WTO Doha Round: The Agricultural Negotiations' (2006) Congressional Research Service 1 16.

¹⁵⁷ See BRICS Policy Center Coordinator attends UN meeting available at <http://www.bricspolicycenter.org/homolog/Event/Evento/59> (accessed 16 October 2013).

¹⁵⁸ Haibin N 'BRICS in the global governance: A progressive force?' (2012) *FES New York* 1.

the proactive role of developing countries in renovating the dynamics of the WTO.¹⁵⁹ This has been particularly visible in three critical negotiating areas in the going on WTO Doha Round of negotiations, viz, the patent regime and access to medicines, agriculture, and non-agricultural market access. For a good understanding of the G Group and IGOs in the multilateral trading system with regard to the WTO, this chapter will try to outline the historical evolution of the G group and IGOs in global trade. However, although each organisation has its specific rules, some of the organisations apply WTO rules because the countries belong to the WTO, for example, the Cotton Four, NAMA11, the G20 Cairns group, Least Developing Countries Groups, (LDCs) and BRICS Group.

3.7 BRICS and the G20

The Declaration by the BRICS countries in Brazil on 15 April 2010 has had an influence on the international trading system. The objectives of this Declaration were to discuss the main questions on the international agenda with regard to trade and multilateral trading system reform, as well as to concretise steps to move forward the co-operation and co-ordination among BRICS member states. The leaders of the BRICS countries have solicited the support of G20 members for voting power reform of the Bretton Woods institutions at the next G20 summit. Paragraph 11 of the Declaration states as follows:

‘We will strive to achieve an ambitious conclusion to the ongoing and long overdue reforms of the Bretton Woods institutions. The IMF and the World Bank urgently need to address their legitimacy deficits. Reforming these institutions' governance structures require first and foremost a substantial shift in voting power in favour of emerging market economies and developing countries to bring their participation in decision making in line with their relative weight in the world economy. We call for the voting power reform of the World Bank to be fulfilled in the upcoming Spring Meetings, and expect the quota reform of the IMF to be concluded by the G-20 Summit in November this year. We do also agree on the need for an open and merit based selection method, irrespective of nationality, for the heading positions of the IMF and the World Bank. Moreover, staff of these institutions needs to better reflect the diversity of their membership. There is a special need to increase participation of developing countries. The international community must deliver a result worthy of the

¹⁵⁹ See BRICS profile continue to rise available at http://indrus.in/world/2013/05/13/brics_profile_continues_to_rise_24907.html (accessed 11 October 2013).

expectations we all share for these institutions within the agreed timeframe or run the risk of seeing them fade into obsolescence.’¹⁶⁰

With regard to this Declaration, the collective pressures exerted by BRICS member states to undertake greater regulatory and representational reform in the multilateral trading system have seen a significant impact.¹⁶¹ Hence, some improvement in economic co-operation and reform has been seen in the G20, such as, the systematic review of members’ macro-economic and financial policies to involve developed and developing economies.¹⁶² Additionally, at a planning meeting of the G20 in March 2009 at Horsham, England, BRICS countries called on developed countries, mainly the US and the EU countries, to improve information sharing and demanded a bigger role in guiding the IMF. Similarly, the joint statement called for significantly more resources for, and more voting weight in, the IMF:

‘We call for urgent action with regard to voice and representation in the IMF, in order that they better reflect their real economic weights. In the Fund, a significant realignment of quota should be completed not later than January 2011. This is necessary to enable members more equitable and fuller participation in the Fund’s efforts to play its mandate role. A rebalancing of representation on the Executive Board and DVIFC would lead to a more equitable representation of the membership.’¹⁶³

Underlying the position of the BRICS countries regarding the economic order, at the Third G20 Summit in 2009 in Pittsburgh, Pennsylvania, US, the final statement said that the leaders had agreed to launch a framework that would correspond with policies that will generate strong sustainable and balanced global growth.¹⁶⁴ Also, at the G20 meeting held in Toronto in November 2010, the impact of this call for institutional reform has also been taken into account by the leaders of the G20. They committed to a change in quota share to dynamic

¹⁶⁰ BRICS summit of heads of State and Government: Joint Statement, Brazil, April 15 2010 available at <http://www.brics.utoronto.ca/docs/100415-leaders.html> (accessed 12 October 2013).

¹⁶¹ Sight S & Dube M ‘BRICS and the World Order: A Beginner’s Guide’ (2001) *Cuts and SAIIA Working Paper* 8-12.

¹⁶² Goh E *The Struggle for order: Hegemony Hierarchy, and transition in post-Cold War East Asia* (2013) 150.

¹⁶³ BRICS countries second meeting of finance minister’s March 2009 available at <http://www.brics5.co.za/about-brics/sectorial-declaration/financial-ministers-meeting/second-meeting-of-finance-ministers/> (accessed 12 October 2013).

¹⁶⁴ Final communiqué of the Meeting of finance ministers and Central Bank governors of the BRIC countries, held in London on 4 September 2009 available at http://www.brazil.org.uk/press/articles_files/20090904.html (accessed 12 October 2013).

emerging market and developing countries of at least five per cent from more represented to under-represented countries using the current IMF quota method.¹⁶⁵

Following this summit, in New Delhi in 2012, BRICS leaders have also adopted the same position regarding global institutional reform.¹⁶⁶ The Declaration of New Delhi was focused on all pertinent issues ranging from the Eurozone crisis to sustainable development and the G20. The BRICS members held an informal meeting ahead of the G20 Summit in St. Petersburg on 5 September 2013 to create equilibrium in the international market system.¹⁶⁷ However, the 2010 Declaration of BRICS countries was not to create the supremacy of the BRICS countries among the G20 group but to make a statement in relation to the reality of the need to reform Bretton Woods institutions in respect of WTO principles for further economic development. Although the position of the G20 does not always correspond to the BRICS countries agreements, they have a common point in respect of development agendas, such as, the reform of the multilateral trading system.¹⁶⁸

The value function is magnified by the fact that until 2013 there was only an indirect institutional connection between the G20 and the BRICS countries, with no explicit mention of BRICS by the G20.¹⁶⁹ BRICS leaders have consulted together in Cannes before the 2011 G-20 summits, among speculation that there would be a BRICS bailout fund for peripheral European nations. This sounding was continued in 2012 at Los Cabos, Mexico, with BRICS leaders issuing a statement that addressed most of the key issues at the G20 summit, with a focus on the euro crisis.

However, the position of BRICS as group of countries is not totally effective within the G20. BRICS countries are present in the G20 not as a group, but as individual developing countries. Countries, such as, Brazil, Russia, India, China and South Africa, are significant in the G20 regarding their economic growth and their participation in the multilateral trading

¹⁶⁵ Final communiqué of the Meeting of finance ministers and Central Bank governors of the BRIC countries, held in London on 4 September 2009 available at http://www.brazil.org.uk/press/articles_files/20090904.html (accessed 12 October 2013).

¹⁶⁶ Panda J 'New Delhi BRICS Summit: New Prospects, But More Challenges?' (2012) IDSA available at <http://www.idsa.in/node/8836/3579> (accessed 10 October 2013).

¹⁶⁷ St Petersburg BRICS meeting available at <http://www.brics5.co.za/g20-summit-underway-brics-leaders-meet/> (accessed 10 October 2013).

¹⁶⁸ Carmo C & Percequillo C 'The Dynamics of Crisis: Brazil, the BRICs and the G-20' (2012) 11(2) *OIKOS* 302 313-14.

¹⁶⁹ Abebe H, Dugan R, McShane M, Mellin J, Patel T & Patentas L 'The United Nations Role in Global Economic Governance' (2012) NGO Committee on Financing working paper for Development 1 14.

system.¹⁷⁰ The BRICS countries have had a few successes in the G20; however, this has been together with other emerging countries group, and the fact that there is no exclusivity regarding their achievements has constituted a limit to them.¹⁷¹

3.8 BRICS position at the World Trade Organisation Doha Round

The main point of the Doha Development Agenda (DDA) was agriculture with regard to market access.¹⁷² The position of BRICS countries at the WTO Doha Round as representatives of developing countries was significant in that each BRICS member has defended the common points relating to agriculture and market access for developing countries.¹⁷³ To maintain their commitment towards the successful conclusion of the Doha Round, continual efforts were made by the BRICS countries. All of those efforts were made with respect to their promise for the success of the Doha Round.

The position of the BRICS countries has also been successfully demonstrated by their aptitude for alliance through the agriculture coalition of the G20 group where they supported the C4 Group, and on the NAMA 11 Group.¹⁷⁴

The discussions on agriculture were for many the litmus test of the Hong Kong Conference.¹⁷⁵ The Hong Kong Conference was to talk on the issues to help developing countries in the multilateral trading system and discuss the fairness of an unequal multilateral trading system for the world. The agreement that was reached provides that developed countries grant duty free quotas to the LDCs until the end the negotiations of the Doha Round.¹⁷⁶ The text on agriculture also provided for faster and more determined cuts in domestic production of cotton with trade distortion effect than those that have been obtained within the framework of the general formula applicable to domestic subsidies to

¹⁷⁰ Narlikar A & Tussie D 'The G20 at the Cancun ministerial: Developing Countries and their Evolving Coalitions in the WTO' (2004) *Blackwell Working Paper* 947 95 2-3.

¹⁷¹ Narlikar A & Tussie D (2004) *Blackwell Working Paper* 947 960-963.

¹⁷² Fergusson I 'World Trade Organization Negotiations: The Doha Development Agenda' (2011) Congressional Research Service 1 9.

¹⁷³ Ismail F 'Developing Country Coalitions in the WTO Doha Round: The NAMA 11' (2011) *CRP Working Paper* 8-14.

¹⁷⁴ China, South Africa Brazil and India was principally the major BRICS countries who has support the least developing countries group in the Doha Round relating on agricultural and non-agricultural market access issue

¹⁷⁵ Heydon K '3

After the WTO Hong Kong Ministerial Meeting: What is at stake?' (2006)1 *OECD Trade Policy Working Paper* No 27, 3-12.

¹⁷⁶ See ICTSD 'Cotton: What could a Doha deal mean for trade' (Number 11/ 2010) 7.

agriculture.¹⁷⁷ It was in the G20 press release that the most explicit references to, and the more assertive support for, cotton have been found.¹⁷⁸

Indeed, BRICS countries at the G20 summit demanded a reduction of subsidies lower than those proposed by the President of the agriculture negotiations, Crawford Falconer, and strict discipline to avoid an uncontrolled transfer between clubs within a general range.¹⁷⁹ This effectively makes up the influence of developing countries in trade negotiations regarding the domestic subsidies to agriculture, especially on cotton. The G20 also stated that cotton must be treated in accordance with the Hong Kong commitments to trade and development aspects on the basis of proposals submitted by the C4 group. According to the then Director General of the WTO, Pascal Lamy, cotton remained one of the litmus tests of the content development of the Doha Round; therefore, the Doha Round could not be achieved without the inclusion of cotton negotiation. He reiterated the mandate for the achievement, of an expeditious and specific outcome for cotton through the three pillars of the negotiations on agriculture (export competition, domestic support, and market access).¹⁸⁰

However, another group, the NAMA-11¹⁸¹ was also one of the principal parties at the WTO Doha Round negotiations, with the G20 coalition of developing countries which was formed at the Doha Round on industrial tariffs.¹⁸²

3.9 Conclusion

This chapter has provided a schematic overview of the formation and evolution of IGOs in general, and thereafter the emphasis was placed principally on the G Group BRICS, C4 Group and NAMA-11 Group in the multilateral trading system. It has also indicated their importance in the multilateral trading system as major instruments for reform and for support for developing countries in the WTO Doha Round. With the development of the G20

¹⁷⁷ Fergusson I 'World Trade Organization Negotiations: The Doha Development Agenda' (2011) *Congressional Research Service* 1 5.

¹⁷⁸ Hanrahan C & Schnepf R 'WTO Doha Round: The Agricultural Negotiations' (2006) *Congressional Research Service* 1 3.

¹⁷⁹ Hanrahan C & Schnepf R (2006) *Congressional Research Service* 1 6.

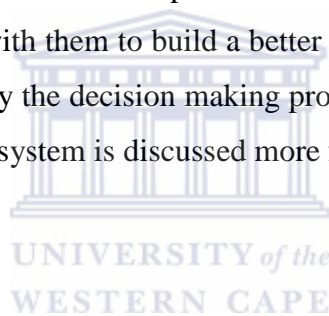
¹⁸⁰ Emerging economies: 'shapers and makers' in changing landscape, Lamy speech available at http://www.wto.org/english/news_e/sppl_e/sppl271_e.htm (accessed on 21 October 2013).

¹⁸¹ The NAMA 11 Group of developing countries was formed in the period shortly before the Hong Kong Ministerial Conference in December 2005. It consists of the following members: Argentina, Brazil, Egypt, India, Indonesia, South Africa, Philippines, Namibia, Tunisia, and Venezuela.

¹⁸² Fergusson I (2011) *Congressional Research Service* 1 5.

meetings, the old Outreach 5 with its unequal and *ad hoc* character has lost its active impact on the multilateral trading system. The meeting of BRICS was initiated to create a new environment for emerging powers to work together as a group of rising powers that are both willing and able to play a collective role in the multilateral trading system. The common idea pursued by BRICS countries was to seek a new international trade and economic order built on the principles of the WTO system, justice, fairness, and democracy.¹⁸³

As recent influential members of the current international trading system, BRICS countries wish to increase their voice in the global governance structure to reflect their perspectives and interests. The Doha Round has been one of the major meetings where BRICS countries have raised their power in relation to agriculture, non-agriculture market access and market access. They are working together to make global trade structures more representative and effective through the WTO and gradual reforms. In this context, the BRICS Group is not intended as a counterbalance to the established Western powers but rather seeks to pursue a more operational or equal interaction with them to build a better world order for international trade with regard to WTO principles, by the decision making process. The role of BRICS countries in the further multilateral trading system is discussed more fully in the following chapter



¹⁸³ Section 3.5

CHAPTER 4

CHALLENGES OF GLOBAL ECONOMY GOVERNANCE AND THE ROLE OF BRICS COUNTRIES IN ITS FURTHER DEVELOPMENT

4.1 Institutional reform

As discussed in Section 2.2, the role played by the World Trade Organisation (WTO) as a major regulatory instrument in global trade is extremely important for integrating nations in the multilateral trading system. The WTO has become an important instrument of trade negotiation between countries involved in the current global trading system.¹⁸⁴ The World Bank and the International Monetary Fund (IMF) also play a considerable role in the global economy. Large numbers of developing countries depend on their financial support for economic development growth.¹⁸⁵ However, the policies of these institutions have been seen by developing countries as largely guided by the developed countries for their own trade and economic interests due to the manner in which WTO members themselves proceed in the decision making process.¹⁸⁶

Thus, developing countries have demanded the reform of those institutions in order to have a democratic balance in the multilateral trading system. This demand has principally been made with regard to the Washington Consensus organisations,¹⁸⁷ the IMF and the World Bank; nonetheless, it has also been made in relation to the WTO, the United Nations (UN), the Bank for International Settlements (BIS), and the Group of Twenty (G20).¹⁸⁸ Coalition groups, such as, NAMA Group, the C4 Group and the BRICS countries (Brazil, Russia,

¹⁸⁴ DAS B 'WTO: Challenges for Developing Countries in the Near Future' *TWN Trade and Development* Series No 15 (2001) 1-17.

¹⁸⁵ See The IMF and the World Bank purposes available at <https://www.imf.org/external/np/exr/facts/imfwb.htm> (accessed 13 May 2013).

¹⁸⁶ Blackhurst R 'Reforming WTO Decision Making: Lessons from Singapore and Seattle' (2000) Working Paper No 63 center for research economy development and policy reform.

¹⁸⁷ The Washington Consensus was the platform to orient the multilateral trading system policies towards practical globalisation.

¹⁸⁸ Lloyd P 'The role of developing countries in global economic governance' *ARTNeT Working Paper* No.117 (2012) 6, also look section 3.

India, China and South Africa), have become very strong advocates of global governance reform in this recent years.¹⁸⁹

The initiative of emerging countries, such as the BRICS countries, to take part in the major trade negotiations has been a major step for them to push developed countries to play an active role in the reform of these institutions. BRICS countries attempt to change the balance of power in the market negotiation agreements between developed and developing countries to improve their presence in the multilateral trading system.¹⁹⁰ Trade negotiations on agriculture at the Doha Round have been most objective in different areas and there has been considerable progress made by BRICS countries in the multilateral trading system.¹⁹¹ For this reason, BRICS countries had expected that their market access prospects would improve if they achieved the reform needed in the WTO. The challenges of the multilateral trade negotiations by the G20 group have also been significantly relevant for the development of WTO discipline. It is important for BRICS countries to be particularly careful in the context of the current pressures exerted to launch further development round negotiations in the WTO.

Emerging countries, especially the BRICS countries, present large opportunities as well as do developing countries. However, their voice for decision making is still not strong enough.¹⁹² It is quite critical to note that developed countries exert pressure on developing countries' governments from taking effective steps in the decision making process. The instrument for this considerable pressure is principally the limitation on participating in the WTO Green Room meeting.¹⁹³ Das argues that the Uruguay Round did not achieve the result that in fact the major developed countries moved together and gained big concessions from the developing countries. He underlines that:

‘Because of extreme pressures exerted by the developed countries, the Uruguay Round ended with highly imbalanced results, with the developing countries making most of the concessions

¹⁸⁹ Hopewell K ‘A Delicate Dance: The Rise of New Developing Country Powers in the Multilateral Trading System’ *AGORA Workshop* (2010) 2-5.

¹⁹⁰ Dhar B ‘The BRICS in the emerging global economic architecture’ (2012) *SAIIA Occasional Paper* No 125 6.

¹⁹¹ Dhar B ‘The BRICS in the emerging global economic architecture’ (2012) *SAIIA Occasional Paper* No 125 11.

¹⁹² Khor M ‘The WTO’s Doha Negotiations and Impasse: A Development Perspective’ (2007) *Third World Network* 5.

¹⁹³ Blackhurst R ‘Reforming WTO Decision Making: Lessons from Singapore and Seattle’ (2000) *Working Paper* 63 9.

and the developed countries hardly making any significant concessions to them. It is by now quite clear that the WTO agreements, which came out of the Uruguay Round, are full of imbalances, inequities and deficiencies.’¹⁹⁴

In fact, it seems that since the Uruguay negotiations, despite the demand of developing countries for them to be more active in the multilateral trading system decision making process, the issue of the decision making process did not give full opportunity to developing countries to participate in trade negotiation. Developed countries still use their power bloc to take decision in their favour. Even if in practice it seems that the doors are quite open to the developing countries, the reality does not look as good.¹⁹⁵

Thus, the multilateral trading system negotiations, the processes of the WTO and discussions are under the control of a small number of powerful countries, such as, the US, Canada, Japan and the European Union (EU). Developing countries and their delegations continue to be excluded from the decision making process and not much has been done to level the playing fields. The inadequate treatment of transparency issues in the multilateral trading system in the Doha Ministerial Declaration has raised the need to reform the WTO *via* different methods.¹⁹⁶

Hence, the need to reform these institutions has been one of the most pressing problems within global economic governance.¹⁹⁷ The rationale of further trade liberalisation in the context of sustainable development has been examined. The BRICS countries have requested more transparency in the WTO and Bretton Woods institutions as regards the decision making process.¹⁹⁸ For example, Brazil and India have set the process going in the multilateral negotiations to have an important impact on some global markets, especially in the area of information technology for India, and in agriculture for Brazil. The strong presence of BRICS countries in the WTO is seen as a challenge to future trade policy reform.¹⁹⁹

¹⁹⁴ Das B ‘WTO: Challenges for Developing Countries in the Near Future’ (2011) Third World Network 4.

¹⁹⁵ Hurrell A & Narlikar A ‘A new politics of confrontation? Brazil and India in multilateral trade negotiations’ (2006) *Global Society* 416 433.

¹⁹⁶ Hurrell A & Narlikar A (2006) *Global Society* 416 433.

¹⁹⁷ Blackhurst R ‘Reforming WTO decision making: lessons from Singapore and Seattle’ (2000) Centre for research on economic development and policy reform *Working paper* No 63 1-20.

¹⁹⁸ Dhar B ‘BRICS in the emerging global economic architecture’ (2012) *SAIIA Occasional Paper* 11.

¹⁹⁹ Dhar B ‘BRICS in the emerging global economic architecture’ (2012) *SAIIA Occasional Paper* 5-12.

It is largely because of the development concerns of BRICS countries that many of the existing WTO Agreements are partially against their interests, and that situation must be reformed in order to achieve a real democratic system in the multilateral trading system.²⁰⁰ For example, in the Doha Round agriculture negotiation, many developing countries spoke up on how only a few members appear to be dominating the negotiations. Initially, the agriculture negotiations were led by the US, the EU, Brazil, India and Australia, and later Japan was included to form the G6.²⁰¹ Most of the BRICS and developing countries wanted to be more involved in the negotiating process which can be a formidable management challenge. BRICS countries need a new form of negotiation which will draw all participants to the application of the non-discrimination principle of the WTO.

Thus, the hopes to reform the multilateral trading system were at the top of the WTO agenda after the Seattle Summit. Chapter 2 of this research did not look at the democratic deficit in the WTO decision making process and at the possibility of decision making reform. This Chapter 4 will in the first section analyse the reform of the WTO decision making process demanded by the developing countries, and thereafter analyse the challenges facing the BRICS countries. The third section will outline the BRICS member's interest in the regional and bilateral trade agreements regarding the multilateral trading system. Following this section, the chapter outline the contribution of the BRICS countries in the multilateral trading system. Finally, the last section will outline the conclusion.

4.2 Trade policy and reforming the WTO decision making process

The WTO is in a sound position to improve the mechanism relating to the decision making process and to ensure the application of democratic process principles. As partially discussed in Chapter 2²⁰² the WTO Agreement makes very democratic provisions with respect to decision making, but, the democratic system should be applicable to all WTO members. BRICS countries present many opportunities for the multilateral trading system: in fact the BRICS countries together hold 26 per cent of the world's gross domestic product (GDP) and over 40 per cent of the global population. Therefore, institutional reform cannot be without

²⁰⁰ Cox M 'Power Shifts, Economic Change and the Decline of the West?' (2012) 24 (3) *International Relation Journal* 369 388.

²⁰¹ Khor M 'The WTO's Doha Negotiations and Impasse: A Development Perspective' (2007) *Third World Network* 5.

²⁰² Chapter 2 2.4.

their involvement in the mechanism of the Bretton Woods institutions and the WTO decision making process.²⁰³

The multilateral trading system has been the cause of many breaches of transparency from the inception of the General Agreement on Tariffs and Trade (GATT) up to the WTO. The key to the apparent failure of the multilateral trading system is the delay of the decision making process at the WTO.²⁰⁴ However, the Doha Round stalemate signalled a crisis in the WTO. It requested broad institutional reforms to the multilateral trading system to address the democratic challenges to furthering the multilateral trading system.²⁰⁵ But, these requests for comprehensive institutional reform have not yet fully achieved the needs of the developing countries.

The BRICS countries have stated their disagreement with the unpredictability and lack of transparency of the negotiation process after the Doha Round.²⁰⁶ BRICS pursued the development of consensus agreements through the negotiation process at the WTO, the IMF and the World Bank with regard to the principle of transparency, which is affirmed in Article X of the GATT 1994, Article III of the General Agreement on Trade in Services (GATS) and Article 63 of the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement. Other WTO provisions of agreements of transparency are included in Annex 1A in Agreement on agriculture.²⁰⁷

In view of the multilateral trading system, BRICS countries need to be part of the new generation of policies of the international institutions. The BRICS countries' main concern is not just the affirmation of rights, but their implementation in economies; not just the principle of democracy, but its introduction in international decision making and its development as a participatory perception. Furthermore, the BRICS countries have now increasingly required the building of coalitions as the primary means of refining their representation in the WTO.²⁰⁸ The major instigator for engagement by developing countries with BRICS is the expectation

²⁰³ Singh S & Dube M 'BRICS and the World Order: A Beginner's Guide' (2012) *CUTS and SAIIA Paper* 8.

²⁰⁴ Cottier T 'A Two-Tier Approach to WTO Decision-Making' working paper No 6 *NCCR trade regulation*(2009) 5.

²⁰⁵ Khumalo N 'looking beyond the Doha Round: Reforming the WTO negotiating process' (2009) *SAIIA policy Briefing* No 4 2.

²⁰⁶ See *Globalisation 101*, BRICS: The new World Powers available at <http://www.globalization101.org/brics-the-new-world-powers-3/> (accessed 17 May 2013).

²⁰⁷ Uruguay Round Agreement on agriculture available at http://www.wto.org/english/docs_e/legal_e/14-ag_02_e.htm (accessed 17 May 2013).

²⁰⁸ Lloyd P 'The role of developing countries in global economic governance' *ARTNeT Working Paper Series* No 177 (2012) 9.

that they use pressure for greater changes in the global financial and economic systems. The reform of the building of international financial crisis has been a dominant theme across the five BRICS Summits held so far, and there is hope that BRICS countries will prove to be a force to deal with within the further meetings relating to the global economy.²⁰⁹ The policies adopted by the BRICS countries are coherent with existing national and international agreements in relation to aid, trade, and development. As a result, the pressure of the BRICS countries in the WTO has borne fruit with the appointment of the Brazilian Roberto Azevêdo as the sixth Director General of the WTO.

4.2.1 Reforming WTO decision making: consensus procedure reform

The procedural aspect of the WTO decision making process is related to a variety of organisational matters, such as, the role of different forms in the process, the mix of formal and informal meetings, representation in informal meetings, transparency provisions, and the conditions of access of individual members to the procedure of decision making. However, consensus is the standard modality of the decision making process.²¹⁰ Decision making has become more difficult with increasing coalitions among members of the WTO, especially as a result of concerns of the developing countries group and as the range of issues tackled by the WTO increases. Regarding the consensus reform standard, Hoekman observed that many proposals to reform the multilateral negotiation have been made regarding the consensus norm. He contends that

‘Consensus is a critical mechanism through which ensure the legitimacy of the organisation and the support that is needed in the domestic politics of members. Developing countries in particular are strong supporters of the consensus practice as it provides them with some assurance that they will not be confronted with decision that may detrimental to their interests.’²¹¹

²⁰⁹ Lloyd P ‘The role of developing countries in global economic governance’ *ARTNeT Working Paper Series* No 177 (2012) 17.

²¹⁰ Ansong A ‘The WTO Decision-Making Process: Problems and Possible Solutions’ (2012) *Working Paper* 18.

²¹¹ Hoekman B ‘Proposals for WTO Reform: A Synthesis and Assessment’ (2011) 20 *Minnesota Journal of Int’ Law* 324 364, 335.

Bilateral and multilateral regional arrangements are also seen as an attempt to address these complications.²¹² It is also important to emphasise that due to the lack of democratic process in the WTO and the lack of real proposals for restructuring the WTO, a movement towards increasing preferential trade agreement (PTA) alliances and an explosion of regionalism have been notable in the multilateral trading system.²¹³ However, the consensus process in the WTO Agreement does not in any way bind members to have recourse to decision making solely by consensus. Article IX (1) states: ‘The WTO shall continue the practice of decision making by consensus followed under GATT 1947.’²¹⁴ The decision making rule is a simple majority vote if there is an initial failure to obtain complete consensus on the matter, excepting specific situations where the WTO Agreement requires otherwise.²¹⁵

The desire of the BRICS countries to be more involved in decision making that affects developing countries has been raised. Therefore, the question arises as to how to reform the multilateral trading system so that it will include developing countries in the WTO decision making process, opposing current policies, and proposing other solutions to global economic questions. These are challenges facing BRICS countries’ efforts to modify the multilateral trading system made of decision making. It is therefore interesting to understand why the consensus rule should require modification.

It is worthwhile to note that the principle of consensus in the WTO decision making reform became important in the Doha Development Agenda. Developing countries and Non-Governmental Organisations (NGOs) have found that the consensus process is an undemocratic aspect of the multilateral trading system.²¹⁶ Bello argues that the principal reason for the failure of the Seattle Summit was the absence of transparent decision making. He contends: ‘Consensus, WTO style means the big trading countries impose their consensus on the less powerful countries.’²¹⁷ Additionally, according to Ansong, the use of consensus presents some significant problems for the WTO’s decision making system.²¹⁸ The arguments advanced by these authors explain the limited use of the consensus decision making

²¹² Patel M ‘New face in the Green room developing countries and decision making bin the WTO’ (2007) *Working Paper* 19.

²¹³ Chapter 2.4.2

²¹⁴ Article IX: 1 of the WTO Agreement.

²¹⁵ Saurombe A & Nkabinda H ‘Reforming the multilateral decision making mechanism of the WTO: what is the role of emerging economies?’ (2013) (16) 5 *Potchefstroom electronic law journal*.

²¹⁶ Bello W ‘Lack of Transparency in the WTO’ (2002) *Development Dialogue* 117 118.

²¹⁷ Bello W (2002) 119.

²¹⁸ Ansong A ‘The WTO decision-making process: Problems and Possible Solutions’ (2012) *Working Paper* 17.

procedure in the WTO due to the heterogeneity of trade interests. It appears that despite the strong voice of the BRICS countries in the multilateral trading system, the consensus decision making method restricts them from using their numerical advantage to order the direction of WTO policy. There is no equality between members in the consensus decision making process and the principles of reciprocity of advantage are not applicable to WTO members. This is due to the fact that all members have never been involved in the consensus, and major developing countries are ignored by developed countries during trade negotiations.

Regarding the ability of emerging countries in the multilateral trading system to influence the policy order of the WTO, the voice of the BRICS countries has grown.²¹⁹ However, the consensus process does not give them a possibility to use that advantage to be part of the decision making in the multilateral trading system. It seems that developed countries have found the consensus method easier to influence voting outcomes. It involves negotiations and consultations to ensure agreement before voting. Consensus decision making is generally regarded as having better democratic legitimacy than majority decisions. Any member present during the decision making can block a decision by simple objection. Nevertheless, it was observed by Bossche that, where an overwhelming majority are in favour of a decision with only one or a few objecting, it presents a problem in that progress can be blocked by a small number. One proposition for dealing with this is critical form perception.²²⁰ In accordance with this, where the majority are in favour of a decision, the few objecting members should abstain from blocking progress.²²¹ Additionally, Hoekman made an interesting comment which points out the condition for consensus to have the purported benefits:

‘A necessary condition for consensus to have the purported benefits is that there is informed participation. In practice, small countries confront serious information and resource constraints that impede effective participation. This can have costs, both in an opportunity forgone sense and in a direct sense if countries agree (or do not object) to initiatives that have adverse consequences for them.’²²²

²¹⁹ Singh S & Dube M ‘BRICS and the World Order: A Beginner’s Guide’ (2012) *CUTS and SAIIA Paper* 8.

²²⁰ Bossche P *The Law and Policy of the World Trade Organisation* (2005) 108.

²²¹ Hoekman B ‘Proposals for WTO Reform: A Synthesis and Assessment’ (2011) 20 *Minnesota Journal of Int’ Law* 324 364, 324.

²²² Hoekman B ‘Proposals for WTO Reform: A Synthesis and Assessment’ (2011) 20 *Minnesota Journal of Int’ Law* 324 364, 335.

The critical question in decision making reform is whether single large WTO members need to retain their influence to work within the institution by blocking the adoption of a particular decision. Blocking a decision comes at an international political cost and may no longer be an attractive option for the international trade market. The coalition group at the WTO is a necessary condition for successful decision making, and blocking might in this instance be seen as its only option in order to be understood in the multilateral trading system with a view to achieving successful economic growth.²²³ It seems that, despite the better way given by voting to advance multilateral co-operation on trade, the WOT principle of voting does give the possibility of developing countries to use their vote effectively. In fact, it is difficult for developing countries, which have partially participated in WTO negotiations, to use their votes at the final stage. As a result of this asymmetry, trade agreements will tend to reflect the concerns of developed countries. The method of coalition groups, such as, BRICS, C4 and NAMA 11, was to have more power in the WTO decision making process because a single country could not do so, in their own interest.

It is important to note that negotiated as fundamental trade agreements could thus be formalised with consensus rules by adopting a system of weighted voting. In fact, formal voting on the basis of equal sovereignty and an equal voting obligation has not totally taken place with regard to rule making in the WTO.²²⁴ However, sovereignty responds only partially to existing power relations. Voting rights could be achieved *via* transparency if a manner is established that suitably reflects the relative importance of the WTO member within the multilateral trade system. In view of multilateral transparency, it is noted that the alleged democratic legitimacy of consensus is only formal and does not offer a true and transparent account of power relations.

4.2.2 The Single Undertaking reform

As the developing country group has become more structured, the informal configuration of the Single Undertaking requirement in the WTO has also gradually changed.²²⁵ The Single Undertaking is the concept of a WTO decision making process which requires compliance

²²³ Ansong A 'The WTO decision-making process: Problems and Possible Solutions' (2012) *Working Paper* 10.

²²⁴ Hoekman B 'Proposals for WTO Reform: A Synthesis and Assessment' (2011) 20 *Minnesota Journal of Int' Law* 324 364, 329.

²²⁵ Hoekman B 'Proposals for WTO Reform: A Synthesis and Assessment' (2011) 20 *Minnesota Journal of Int' Law* 324 364, 346.

with the principle that if the rule is binding on all then the rule must be agreed to by all.²²⁶ Since the multilateral trading system binds all WTO members, the Single Undertaking has an intensifying effect on the decision making process. Without the Single Undertaking, trade issues would be negotiated in storage fortification; and countries with only defensive interests would have no motivation to negotiate.²²⁷ In order to make it a larger part of consensus decision making, the Single Undertaking requirement would also have to be important in a way that makes it less strict. On the other hand, the meaning of the Single Undertaking is also that countries wanting to become members of the WTO have to accept the complete agreement package of the Uruguay Round as well as the supplementary obligations, without exception.²²⁸

The Single Undertaking procedure in the WTO has a fundamental significance with respect to an aptitude to influence the decision making process. The purpose of the Single Undertaking procedure was to facilitate trade negotiation through safeguarding countries, and to suggest concessions between the countries involved on the basis of their interests which will thus maintain an enthusiasm for trade negotiations and trade liberalisation.²²⁹ Reforming the WTO decision making process *via* the Single Undertaking has procedure been most significant for developing countries of the WTO.²³⁰ For many developing countries, the Single Undertaking promises them sustainability of more trade obligations than previously required under the GATT.²³¹ It helps them to meet key objective of the Uruguay Round and the WTO rules which involve the developing countries in the multilateral trading system. With this reform, more trade liberalisation has been committed by developing countries in the Uruguay Round negotiations than by developed country partners.²³² The rise of the BRICS countries offers several new opportunities for the trading system, but also poses serious and surprising challenges.

²²⁶ WTO 'How the negotiations are organized' available at http://www.wto.org/english/tratop_e/dda_e/work_organiz_e.htm (accessed on 20 September 2013).

²²⁷ Low P 'WTO Decision-Making for the future' (2011) *ERSD Working Paper* 4.

²²⁸ Low P 'WTO Decision-Making for the Future' (2011) *ERSD Working Paper* 5.

²²⁹ Herran R 'The Single Undertaking After Cancun: Diversity and Variable Geometry in the WTO System' (2004) World Trade Institute 2.

²³⁰ Cottier T 'A Two-Tier Approach to WTO Decision Making' (2009) *Working Paper* No 6 12.

²³¹ Low P 'WTO Decision-Making for the Future' (2011) *ERSD Working Paper* 5.

²³² Khumalo N 'looking beyond the Doha Round: Reforming the WTO negotiating process' (2009) *SAIIA policy Briefing* No 4, 4.

4.3 The challenges facing BRICS countries in the multilateral trading system

The challenges to the multilateral trading system order should include proposals and options for WTO decision making reform. The world is multi-polar and state sovereignty is one of its important features for the international trade system. According to Dube, the proposed reform of the WTO decision making process has different contexts with regard to the current four main principles of decision making in the WTO:

- The WTO is a one member one vote organisation, thereby allowing equal status to all members irrespective of their trade shares or economic size.
- The WTO is a member driven organisation.
- Consensus based decision making is the de facto norm in the WTO.
- The WTO relies on an elaborate network of informal processes to get to a consensus.²³³

The position of developing countries, mostly BRICS countries, to be proactive in the WTO decision making process, has been seen as a challenging step for them to take the initiative to correct the current situation. Thus, the BRICS countries have co-ordinated their actions and prepared well for the WTO negotiations.²³⁴ The disappointment of the Doha Round has caused developing countries to be proactive in the multilateral trading system which has been criticised by developing countries in terms of democratic and transparent governance. The main theme is: BRICS countries have first developed their economies by preferential trade agreements in their specific areas which has resulted in an important convergence of income levels between the poorer and the richer countries of the world. They then created the coalition to be more consistent in WTO decision making. Finally, BRICS countries have items for the future of the development trade agenda. The BRICS countries demand reform of international institutions related to trade, such as, the WTO, the IMF, and the World Bank which they see as obsolete.²³⁵ Therefore, the challenges facing BRICS countries are primarily reforming the multilateral trading system and increasing the BRICS impact in the world market. However, it will be difficult for the BRICS countries to achieve these objectives

²³³ Dube M 'The way forward for the WTO: Reforming the decision-making process' (2012) 118 *SAIIA Occasional Paper* 19.

²³⁴ Hopewell K 'A delicate dance: The rise of new developing country powers in the multilateral trading system' (2010) AGORA workshop 6.

²³⁵ Saurombe A & Nkabinde H 'Reforming the multilateral decision making mechanism of the WTO: what is the role of emerging countries' (2013) 5 (16) *Potchefstroom Electronic Law Journal* 454-614.

without a political consensus among them, which has limited their impact on the international scene. This is patently true since all BRICS countries have their own national interests, and there are often conflicts of interest among them despite the cohesion between them.²³⁶ China is the largest single buyer or seller in many markets; and India and China are often in disaccord regarding trade interests in Asia. However, despite this conflict of interest, the pressure on the BRICS countries to face the new challenges resolutely has continued, and has got their proposal included in the negotiations.²³⁷

This significant achievement has given them the possibility to adopt a position in the current global economy to make more transparency, reciprocity and sovereignty part of the WTO order. On the positive side, there is a consciousness that this movement could help take forward the long-held ideal of an alternative discourse that puts the global South in a position of leadership and creates the possibility for South-South partnerships in trade, aid and development. Also, there is the expectation that the BRICS countries will have a greater impact role on the issues of development, including inequality in the global economy; in fact, they are building their economic power on the lessons learnt from the challenges facing them.²³⁸

Desai observes that the challenges of the BRICS countries come into their own challenges among them. He argues:

‘The interests of BRICS members seem to diverge in several areas. But the group gains cohesive force from its challenge to the influence of the North Atlantic community and its ally Japan in which it stands a good chance of success.’²³⁹

If BRICS is compared to the Organisation for Economic Co-operation and Development (OECD) as a group of countries, the BRICS countries can be considered as relatively consistent countries when it comes to the international EU and Official Development Assistance (ODA) agenda. In fact they have created an institutional framework to represent their collective interests in similar ways as development co-operation groups.²⁴⁰ Also, they

²³⁶ Singh S & Dube M ‘BRICS and the World Order: A Beginner’s Guide’ (2011) *CUTS and SAIIA Working Paper* 6-43.

²³⁷ Singh S & Dube M ‘BRICS and the World Order: A Beginner’s Guide’ (2011) *CUTS and SAIIA Working Paper* 14-17.

²³⁸ Hopewell K ‘A delicate dance: The rise of new developing country powers in the multilateral trading system’ (2010) *AGORA workshop* 15.

²³⁹ Desai N ‘What Interests do the BRICS countries share?’ (2012) BRICS New Delhi Summit 26.

²⁴⁰ Singh S & Dube M ‘BRICS and the World Order: A Beginner’s Guide’ (2011) *CUTS and SAIIA Working Paper* 18.

currently raise a common voice at the multilateral trading system level by having many summits relating to the multilateral trading system. Thus the challenges in the multilateral trading system can be significant without any framework. The following section will try to underline the BRICS Agenda for global governance.

4.3.1 BRICS Agenda for global governance

The Agenda of BRICS countries for establishing strategy reforms for their engagement in the multilateral trading system is the route of future financial trade co-operation.²⁴¹ The creation of such trade co-operation can provide an alternative response to global and regional development challenges, and co-ordinated action on issues, such as, food security, protection of bio-diversity, health, and urbanisation.²⁴² This Agenda also includes a call for changes in the voting power and quota structures of the World Bank and the IMF, the obligation to study local currency trade settlement negotiation between member countries, and the creation of a BRICS Bank.²⁴³ Thus the Brasilia statement at the 2010 Summit outlines the specific changes proposed by BRICS countries for the multilateral trading system including the voting power reforms in the World Bank.

Marianne Goldman underlines that Mashabane, South African Minister of International Relations and Co-operation, hoped that BRICS would push for greater changes in the global financial and economic system. According to Mashabane:

‘BRICS members are still talking about the overall and overarching vision. South Africa believes that we are there at the right time to make a kind of influence and make sure that BRICS doesn't just focus on big governments, big economies, but also looks at softer issues on how to make sure that ordinary people benefit and can also take ownership of BRICS.’²⁴⁴

It is argued that the actions of BRICS countries are mainly focused on more South-South trade co-operation.²⁴⁵ The significance of the concrete Agenda of BRICS countries is its position on the BRICS Summit declaration with regard to the multilateral trading system. In

²⁴¹ Singh S & Dube M ‘BRICS and the World Order: A Beginner’s Guide’ (2011) *CUTS and SAIIA Working Paper* 6-43.

²⁴² John L ‘Engaging BRICS challenges and opportunities for civil society’ (2012) *OIWPS XII Oxfam India Working Paper* 5.

²⁴³ Dhar B ‘The BRICS in the emerging global economic architecture’ (2012) *SAIIA occasional Paper* No 125, 7-12.

²⁴⁴ Goldman M ‘Civil society engagement in BRICS’ (2012) *Oxfam Working Paper* 17.

²⁴⁵ Dhar B ‘The BRICS in the emerging global economic architecture’ (2012) *SAIIA occasional Paper* No 125, 7.

this regard, BRICS countries have emphasised the need for their effective and full participation in the decision making processes in the multilateral trading system.

Economically, the BRICS countries have taken large shares of global trade; and politically, their growing voice in the WTO is reshaping at least some of the rules of the game. The three last BRICS Summits (Sanya, New Delhi and Durban) saw the reinforced call for reforms in international financial institutions, including a push to open principal places in the IMF and the World Bank to candidates from outside the US and the OECD bloc. The dialogue on Special Drawing Rights (SDR) within the international monetary system was also on that agenda. India is committed to the consolidation of the BRICS co-operation framework. The BRICS Delhi Action Plan, annexed to the Delhi Declaration issued by the heads of States at the fourth Summit in New Delhi in March 2012, laid down the broad contours of co-operation under India's chairmanship of BRICS. It provided an enabling framework for co-operation in identified areas. Also, at the Durban Summit, held on 26-27 March 2013, the leaders made an important point relating to the multilateral trading system to exploit opportunities created by the ongoing global power change which should reflect the growing weight of their economies in the changing global system.

The BRICS Agenda for further challenges to the multilateral trading system has brought a new shape to the global economy.²⁴⁶ It is becoming increasingly multipolar with the emergence of these five countries. Thus, the decision to create a BRICS Bank has engendered eagerness across the global South as a step forward in creating a multilateral development bank to facilitate co-operation in this area and set up infrastructure funds to organise trade and institutional investors, as well as encourage public and private participation in the infrastructure drive.²⁴⁷ The BRICS Bank would be expected to fund development and infrastructure projects in developing countries; promote sustainable development; facilitate increased trade and trading opportunities; and offer support to the social development sectors without the political forces of the US and Europe funded financial institutions. Currently, BRICS countries' success in the global economy is a key driver of their recent economic dynamism and growing economic power; in fact, Brazil, India and China have major

²⁴⁶ Singh S & Dube M 'BRICS and the World Order: A Beginner's Guide' (2011) *CUTS and SAIIA Working Paper* 6-43

²⁴⁷ Statement by BRICS leaders on the establishment of the BRICS Development Bank available at <http://www.brics5.co.za/statement-by-brics-leaders-on-the-establishment-of-the-brics-led-development-bank/> (accessed 20 September 2013).

opportunity trading interests in the WTO, the IFM and the World Bank.²⁴⁸ The next section will outline the support of BRICS countries for multilateral and regional trade agreements with regard to the development and share principle of the WTO.

4.4 BRICS and multilateral and regional trade agreements

The particularity of the BRICS countries is that they act as regional economic leaders in their respective regions and are all members of major international and multilateral institutions, such as, the WTO, the United Nations (UN), the G20, and the UN Framework Convention on Climate Change (UNFCCC). They also are able to access many regional trade agreement bodies, such as, the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), the Eurasian Economic Community (EURASEC), the Shanghai Cooperation Organisation (SCO), India and China as members of the Asia-Pacific Economic Cooperation (APEC) forum, the Union of South American Nations (UNASUR), Brazil as member of Mercado Común del Sur (MERCOSUR), the African Union (AU), the South African Development Community (SADC), the South Asian Association for Regional Cooperation (SAARC), and the Association of South East Asian Nations (ASEAN).²⁴⁹

A number of trade agreements are also in the pipeline, with the initiation of negotiations between China and the Southern African Customs Union (SACU) and India and the SACU.²⁵⁰ Additionally, both India and China are members of Asia Pacific Trade Agreement (APTA). Also, preferential trade agreements (PTAs) try to develop trade between developing countries in the Asia-Pacific region. Negotiations on a Regional Comprehensive Economic Partnership Agreement (RCEP) are also on the same road. India and Brazil are party to the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) which seeks to promote trade amongst the G 77.²⁵¹ All of these agreements amongst BRICS countries show the significance of these five emerging countries in the multilateral trading system with regard to the development principle of the WTO. According to Reddy, former

²⁴⁸ John L 'Engaging BRICS challenges and opportunities for civil society' (2012) *OIWPS XII Oxfam India Working Paper* 10.

²⁴⁹ Hurrell A & Narlikar A 'A New Politics of Confrontation? Brazil and India in Multilateral Trade Negotiations' (2006) *Global Society Working Paper* 415 416.

²⁵⁰ Agreement on preferential trade was signed on 26 November 2008 by the representatives of India and the SACU to facilitate negotiations. The fourth round of negotiations was held at Pretoria on 7th – 8th October, 2009.

²⁵¹ John L 'Engaging BRICS challenges and opportunities for civil society' (2012) *OIWPS XII Oxfam India Working Paper* 3-36.

Governor, Reserve Bank of India, the presence of BRICS countries in different regional trade agreements gives them better economic power in the multilateral trading system. He underlines that:

‘... BRICS is more representative of the diversity in the global economy than any other group. The BRICS voice is certain to carry greater weight than any other group in echoing global concerns because it is a miniature version of global diversity and global concerns, be they poverty or climate change.’²⁵²

The choice to build co-operation and regional trade agreements has come for this group as an important step to minimise the economic and political variances within the group which will develop intra-trade co-operation among BRICS countries.²⁵³

However, BRICS members have also individually developed trading relationships with the EU. For example, the EU-South Africa Trade, Development and Co-operation Agreement (TDCA) signed in Pretoria on 11 October 1999. The Agreement covers five areas of co-operation: political dialogue, development co-operation, co-operation in trade and trade related areas, economic co-operation and co-operation in other areas. The TDCA establishes preferential trade arrangements between the EU and South Africa, along with the progressive introduction of a free trade area. The TDCA's trade related Articles have been provisionally applied since January 2000. This Agreement fully entered into force on 1 May 2004 after ratification by all signatory parties. Trade between the EU and South Africa is governed by the TDCA. EU China trade co-operation has also affirmed the determination to boost trade investment and economic issues. Both parties have negotiated and concluded a broad China-EU Investment Agreement regarding the issues of interest to either side, including investment protection and market access.²⁵⁴ The EU is also the largest trading partner in Russia and Russia is the third largest trading partner of the EU. The EU trade co-operation with India is also important for sustainable growth. EU is the main trading partner of trade in goods and services in India. This co-operation constitutes a real opportunity for both parties in term of innovation and job creation. Also, the EU and Brazil trade agreement relationship shows the importance of developing countries to be part of trade negotiations. Brazil is the largest trading partner in Latin America and its trade with the EU accounts for 37 per cent of the

²⁵² BRICS New Delhi Summit 2012 available at <http://www.brics.utoronto.ca/newsdesk/BRICS-2012.pdf> (accessed 20 September 2013).

²⁵³ John L ‘Engaging BRICS challenges and opportunities for civil society’ (2012) *OIWPS XII Oxfam India Working Paper 3-36*

²⁵⁴ See <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/> (accessed 12 February).

EU's total trade with the Latin American region (2012). The largest trading partner of Brazil is the EU, and Brazil is the EU's eighth largest trading partner, accounting for 2.2 per cent of total EU trade (2012).²⁵⁵ Additionally, the recent summit between the EU and Brazil has shown the significance of a trade relationship between developed countries and developing countries in the multilateral trading system. Intra-BRICS trade has also been developed by BRICS members, even if it is not very high yet. The subsequent section will discuss the mutual co-operation among BRICS countries.

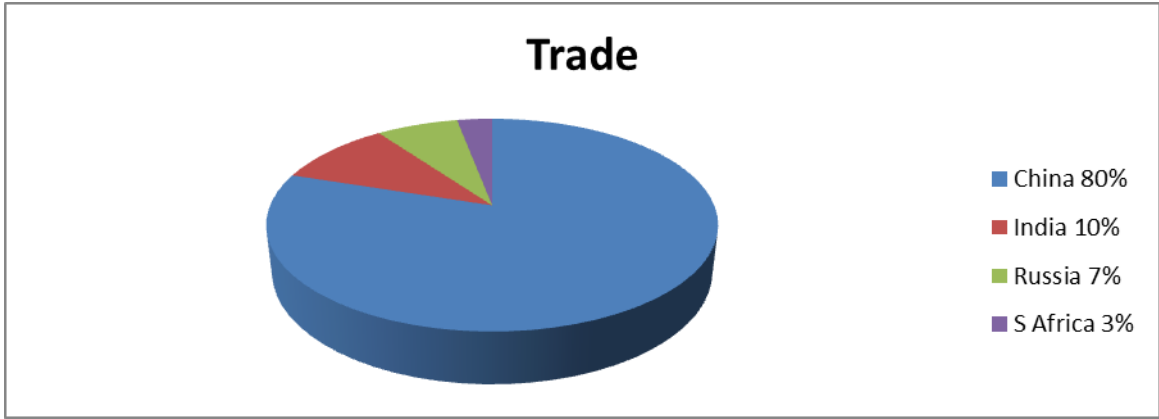
4.4.1 Mutual trade co-operation

The platforms of co-operation and dispute led by BRICS countries are currently some of the major influences with regard to the future challenges that they want to meet in the multilateral trading system. The purpose of building co-operation among them was to share management and technical capacities, promote trade and tourism, and facilitate cultural and educational exchanges.

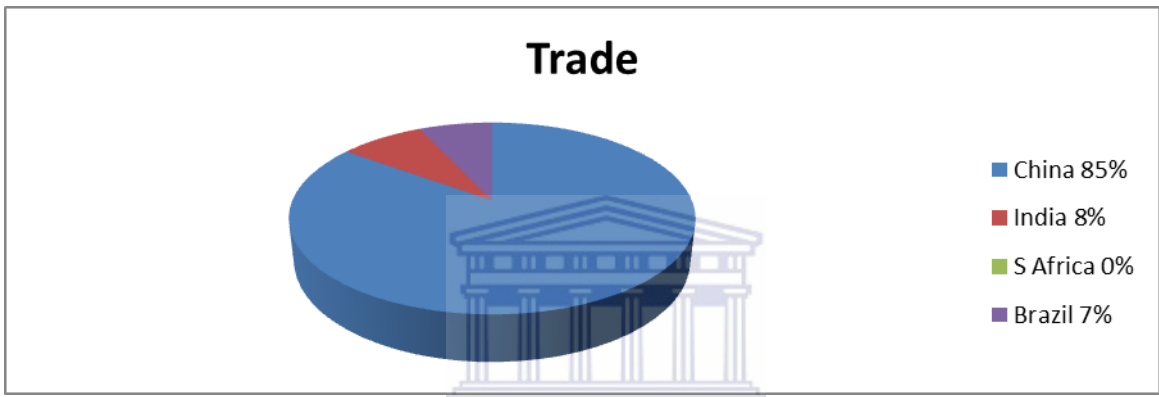
Trade is one of the most important indicators of how co-operation between the BRICS countries is evolving. It appears to have played a significant role in boosting the economic growth prospects of these countries. There is confirmation that trade co-operation has been seen and used as an instrument for promoting economic growth and facilitating development in all the BRICS countries.²⁵⁶ At their most recent Summit held in Durban, the BRICS leaders emphasised the need to build intra-trade co-operation in respect of the respective specialties of their economies. The ministers agreed that the current economic situation requires new principles, perceptions, models and mechanisms to reinforce intra-BRICS co-operation. Such co-operation could be achieved by identifying complementarities, and by further trade exchange, investment promotion and technical co-operation. China and India are concentrating on bilateral aid mainly, while Russia, Brazil and South Africa are mostly using multilateral systems, due to their obligations to regional integration. Thus, the graphics below clearly show intra trade co-operation between BRICS countries.

²⁵⁵ See <http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/> (accessed 12 February).

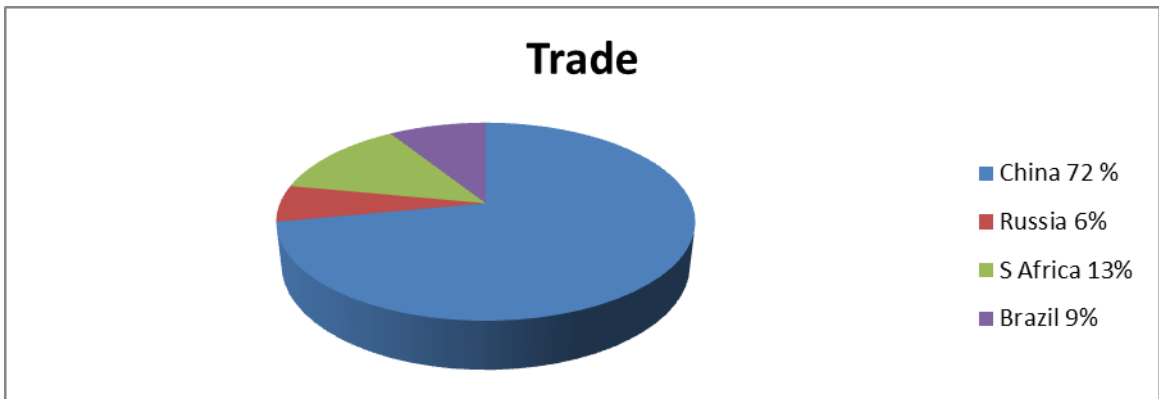
²⁵⁶ Pedro M, Irene K, Doris K & Thobias S 'The role of BRICS in the developing world' (2012) European Parliament's Committee on Development 18.



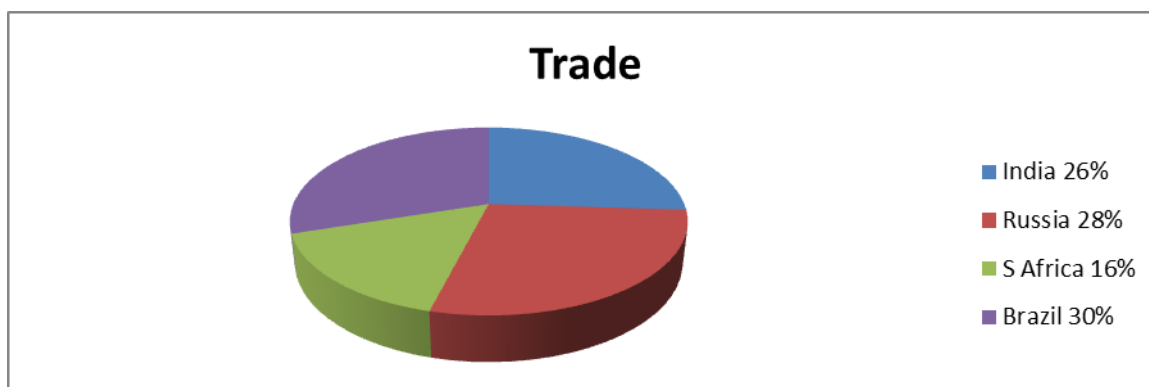
Trade between Brazil and the rest of the BRICS countries



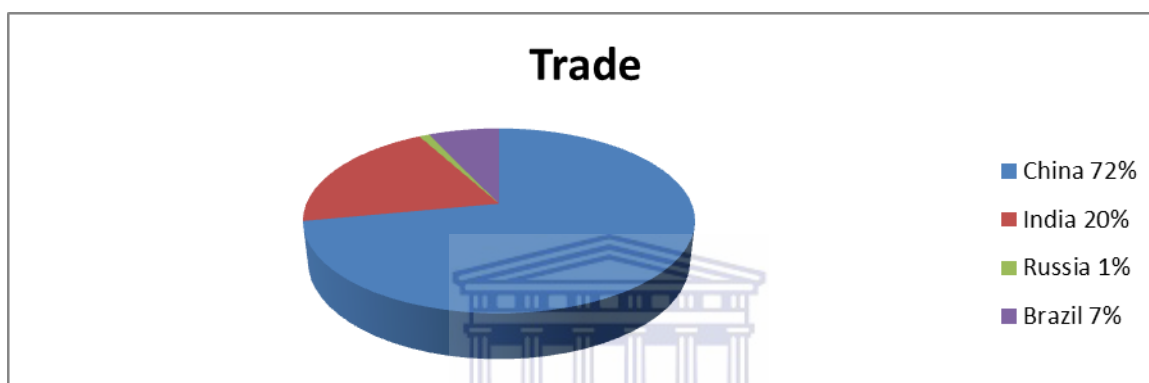
Trade between Russia and the rest of BRICS countries



Trade between India and the rest of BRICS countries



Trade between China and the rest of BRICS countries



Trade between South Africa and the rest of BRICS countries

Source: Based on United Nations COMTRADE and <http://wits.worldbank.org/wits/> (accessed 30 September 2013).

It appears that trade co-operation among BRICS countries is dominated by China which has at least 72 per cent of their trade. India, Russia and Brazil's trade shares are more or less equal, but South Africa must be careful not to be overtaken by challengers that seek to turn into the African continent's economic centres, such as, Nigeria or Kenya, due to their smaller trade share with BRICS countries. To better tap their mutual market potential, BRICS countries should sign bilateral or multilateral trade and investment facilitation agreements. However, it appears that intra-BRICS trade is surprisingly smaller than BRICS trade with the African continent. This shows the limit on BRICS trade although manufacturing has been the most important area of growth, employment generation and poverty reduction in BRICS countries. India and Brazil have also played a significant role in the services area.

However, despite this limit, the BRICS countries' performance in the multilateral trading system has doubled over the past years.²⁵⁷ The BRICS countries' governments have set up a series of initiatives to tackle the problem and find ways to increase trade. The five countries have set themselves a target of increasing their bilateral trade to US\$ 500 billion by 2015. The largest trade partner among the BRICS countries is China with a trade share reaching between 72 per cent and 85 per cent in intra-BRICS trade. India has a share ranging between 8 per cent and 26 per cent in intra-BRICS trade. However, the trade share of Brazil is not comparable to other BRICS countries, except China where its share is 30 per cent. Also, Russia has a small share of the trade cake in all markets barring China where its share is 28 per cent. The smallest trade share of BRICS countries is that of South Africa with a trade share ranging between zero per cent and 16 per cent.²⁵⁸

The BRICS countries have also established many memoranda of understanding among them in their specific areas based on standard evaluation agreement and accreditation procedures. These memoranda are considered as preferential trade agreements (PTAs) between the BRICS countries. Brazil, for example has, a memorandum of understanding a standardisation body with India, namely, the National Institute of Metrology, Normalisation and Industrial Quality (INMETRO), and a co-operation agreement with Russia on value management systems. Additionally, India and South Africa have a memorandum of understanding on a standardisation body, namely, the Bureau of Indian Standards (BIS). Furthermore, several important agreements have been signed in 2012 at the BRICS Summit, such as, the Agreement on Extending Credit Facility in Local Currency and the Multilateral Letter of Credit Confirmation Facility Agreement.²⁵⁹ BRICS countries have specifically signed an agreement on export-import to facilitate co-operation amongst them by means of the Brazilian Development Bank, Russia's State Corporation Bank for Development and Foreign Economic Affairs, India's Exim Bank, the China Development Bank Corporation, and the Development Bank of Southern Africa.²⁶⁰ The purpose of these agreements, according to the BRICS countries, is to facilitate trade in domestic currencies, which will reduce the use of the

²⁵⁷ John L 'Engaging BRICS challenges and opportunities for civil society' (2012) *OIWPS XII Oxfam India Working Paper* 10-17.

²⁵⁸ Pedro M, Irene K, Doris K & Thobias S 'The role of BRICS in the developing world' (2012) European Parliament's Committee on Development 19.

²⁵⁹ South Africa.info, 'BRICS Development Bank one step closer' 29 March (2012) available at <http://www.southafrica.info/global/brics/bank-290312.htm#.UH7JTcWHdK0> (accessed on 30 September 2013).

²⁶⁰ South Africa.info, 'BRICS Development Bank one step closer' 29 March (2012) available at <http://www.southafrica.info/global/brics/bank-290312.htm#.UH7JTcWHdK0> (accessed on 30 September 2013).

US dollar, minimise the risk of currency instability, and thus develop the globalisation of BRICS currencies.

It is also interesting to note that mutual trade co-operation is not limited to the BRICS countries. BRICS countries have developed the idea of South-South co-operation mostly with the African continent. For example, BRICS leaders have committed themselves to support structure development and industrialisation in Africa within the framework of the New Partnership for Africa's Development (NEPAD).²⁶¹ Such co-operation involves development which is focused on energy, transportation and industry. The vision of BRICS countries is to find innovative ways to establish the right mechanism in the multilateral trading system to enhance trade co-operation.

4.5 Economic contribution of BRICS countries

The globalisation of the world economy is characterised by the liberalisation of trade and investment regimes. The effect of the BRICS countries in the multilateral trading system has been greater on the global trading system regarding manufacturing, service trade co-operation and investment.²⁶² Their influence on the global economy is significant because they have stalemated trade relations among themselves. Also, their impact is based on the degree of political coherence among them, as well as their capacity to influence the international system.²⁶³ Their improvement in the global economy in the 21st century has impressed the world's economies.²⁶⁴

With regards to the BRICS countries' improvement, their share of the multilateral trading system has been around 18 per cent of the global gross domestic product (GDP) in 2010.²⁶⁵ The foreign direct investment (FDI) of these economies has risen from around \$80 billion in 2000, to around \$220 billion in 2010, which indicates their increasing significance as

²⁶¹ John L 'Engaging BRICS challenges and opportunities for civil society' (2012) *OIWPS XII Oxfam India Working Paper* 16.

²⁶² Singh S & Dube M 'BRICS and the World Order: A Beginner's Guide' (2011) *CUTS and SAIIA Working Paper* 6-43

²⁶³ John L 'Engaging BRICS challenges and opportunities for civil society' (2012) *OIWPS XII Oxfam India Working Paper* 3-36

²⁶⁴ Yumkella K & Verspagen B 'Structural Change, Poverty Reduction and Industrial Policy in the BRICS' (2012) *UNU-MERIT and UNIDO Research Paper* 12-17.

²⁶⁵ Melchior, A 'BRICS and the economic decline of the old world, 1990-2030' (2012) *ONS Summit Working Paper* 1-21.

destinations for world capital as production sources.²⁶⁶ Developing economies absorbed more FDI than the developed ones, with four developing economies ranked among the five largest recipients in the world. China is the major country of economic contribution through FDI. Developing countries also generated almost one-third of global FDI discharges, continuing the tendency of cash rich corporations in foreign countries investing in progressive economies.²⁶⁷

It is argued that, with the balance of economic power dramatically unstable over the next years, China is pre-determined to become the world's largest economy, followed by India which will overhaul the US.²⁶⁸ Development literature views FDI as effecting structural transformation and rapid economic growth of BRICS countries. Therefore, the importance of BRICS countries among emerging countries is determined by their large receipt of FDI which represented around \$145 billion in 2012 accounting for 10 per cent of world flows. For example, China's economic contribution is around 3.7 per cent. This has been important for the development and prosperity of the multilateral trading system in recent years for BRICS countries.²⁶⁹ In fact, the economic recession has given an opportunity to BRICS countries, especially China, as investment destination in the world.²⁷⁰ China's economic performance has become a major force encouraging economic co-operation in the multilateral trading system, mostly in Asia and Africa.²⁷¹ It has supplanted the US as the major investor in the Republic of Korea and of Japan in 2002. According to the then WTO Director-General, Pascal Lamy, China should be more active in global economic governance.²⁷² However, India's interface with the global economy is much less than China's with regard to the GDP of the global economy. Its contribution in the multilateral trading system is around 2.4 per

²⁶⁶ Grant C, Rantao I, Wentworth L, Wood C & Schroeder S 'BRICS FDI: A Preliminary View' (2013) SAIIA Policy Briefing 63 2.

²⁶⁷ Yumkella K & Verspagen B 'Structural Change, Poverty Reduction and Industrial Policy in the BRICS' (2012) UNU-MERIT and UNIDO *Research Paper* 20.

²⁶⁸ See the world in 2050 The BRICS beyond: prospect challenges and opportunities (2013) *PWC Paper* 8 available at https://www.pwc.com/en_GX/gx/world-2050/assets/pwc-world-in-2050-report-january-2013.pdf (accessed 27 October 2013).

²⁶⁹ Yumkella K & Verspagen B 'Structural Change, Poverty Reduction and Industrial Policy in the BRICS' (2012) UNU-MERIT and UNIDO *Research Paper* 14.

²⁷⁰ Melchior, A 'BRICS and the economic decline of the old world, 1990-2030' (2012) ONS Summit *Working Paper* 1-21.

²⁷¹ United Nations 'Africa-BRICS co-operation: Implications for growth, employment and structural transformation in Africa' (2013) United Nations Economic Commission for Africa 9.

²⁷² Beijing forum March 2013 available at http://www.wto.org/english/news_e/sppl_e/sppl274_e.htm (accessed on 3 October 2013).

cent. Additionally, the Brazilian economy is the world's seventh largest.²⁷³ It is the largest recipient of FDI in Latin America, and the US is traditionally the top foreign investor in Brazil.²⁷⁴

With strong emerging trade relations with Asia, and cross-border trade within Africa, South Africa's economic contribution has attracted many capital inflows, especially in sub-Saharan Africa which is the second fastest growing region in the world.²⁷⁵ The most important trade investment of BRICS countries is in Africa, so much so that Africa is now the second fastest growing continent in the world with huge mineral and agricultural resources, growing markets and a young and active population.²⁷⁶ The co-operation between Africa and BRICS has gained new momentum and generated much interest in recent years. This is because these five countries have begun playing an increasingly prominent role in global trade, investment, finance and governance.

The BRICS countries have grown to rank among the top investing countries in Africa. In 2011, they were among the top 20 investors in Africa; China, India, South Africa were listed as fourth, fifth and 17th, respectively, in terms of FDI flows; and South Africa, China, India and Russia were the fifth, sixth, seventh and 15th, respectively, largest holders of FDI stocks.²⁷⁷

The engagement of BRICS countries on the African continent provides more opportunities and challenges for Africa's economy because in macro-economic terms, the most BRICS FDI projects in Africa are in the manufacturing and services sectors, which has positive consequences for job creation and industrial growth. FDI has been the most important factor for these opportunities and economic challenges. Although the US, the EU and Japan still are large FDI givers to the Africa continent, it appear that in recent years the major growth in FDI to Africa has come from the BRICS countries.²⁷⁸ The BRICS countries' co-operation

²⁷³ Yumkella K & Verspagen B (2012) 13.

²⁷⁴ Dhar B 'BRICS in the emerging global economic architecture' (2012) *SAIIA Occasional Paper* No 125, 5-9.

²⁷⁵ Melchior, A 'BRICS and the economic decline of the old world, 1990-2030' (2012) *ONS Summit Working Paper* 1-21.

²⁷⁶ United Nations 'Africa-BRICS co-operation: implications for growth, employment and structural transformation in Africa' (2013) 20.

²⁷⁷ United Nations 'Africa-BRICS Co-operation: Implications for Growth, Employment and Structural Transformation in Africa' (2013) 22.

²⁷⁸ See World Development Indicators, accessed 14 February 2013 available at <http://data.worldbank.org/data-catalog/world-development-indicators> (accessed 28 October 2013).

with Africa has increased and generated much interest in recent years.²⁷⁹ This is due to the increasingly prominent role in global trade played by the five countries.

4.6 Conclusion

This chapter has highlighted BRICS countries' challenges, trade co-operation and contribution to the global economy. The chapter first argued that the global economy has seen change with the inclusion of developing countries in the multilateral trading system, mostly BRICS countries which have demanded *via* their three last Summits the reform of the WTO and Bretton Woods institutions. Secondly, it has been argued that reforming the decision making process should take into account the implementation of the LDCs and developing countries to make the WTO more democratic for the reason that the non-democratic processes have led to a proliferation of PTAs. The WTO Doha Round has shown its limitation with regard to decision making, as argued by Dube. Thus, if the international trade rules take into account reform with regard to the principle of sovereign equality of states, all WTO members could participate in decision making without any discrimination, although the procedures of decision making are problematic for developed countries. Reforming the WTO decision making process will put an obligation on developing countries to be more proactive in expressing their trade needs and having these needs represented in multilateral rules. Institutional reform could be built upon the different methods and the convenience of a number of decision making approaches.

The WTO made considerable progress regarding the decision making process. As noted above, the decision making reform has been relevant for developing countries to be proactive in WTO decision making process. The voices of developing countries especially BRICS countries, have grown in the multilateral trading system, as a result of their economic contribution to the multilateral trading system. The framework of the BRICS economies' contribution has differed in terms of direction and economic outcome despite the cohesion among them. BRICS countries especially China in term of South-South co-operation have create an important economic growth.

²⁷⁹ Villoria N 'China and the Manufacturing Terms-of-Trade of African Exporters' (2009) 18(5) *Journal of African Economies* 782-817.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the conclusions from the research as a whole, with a view to recommending practical and effective solutions. The chapter contains all the recommendations therein to provide a unified proposal on the way forward to the further trade development of the global economy regarding the position of developing countries in the multilateral trading system.

5.2 Conclusion

The multilateral trading system is very important in ensuring economic development growth of all the countries involved. It is particularly relevant for developing countries which are on the way to development. The institutions in charge of this trade development, such as, the World Trade Organisation (WTO), the International Monetary Fund (IMF) and the World Bank, provided the legal framework to regulate international trade in terms of a transparent and democratic system. It is interesting to note that the developing countries and intergovernmental organisations coalition such as, BRICS countries NAMA 11 and C4 Group found that the decision making process of those institutions was dominated by a few powerful countries.²⁸⁰ Thus, to deal with the issue of inadequate participation in the decision making process by developing countries in accordance with the democratic system and transparency principle of the WTO, the Doha Round of negotiations of WTO members was launched. It has provided a decision making reform regarding the new face of the global economy by mean of the Doha Development Agenda (DDA).²⁸¹ Although the Round did not achieve all the major points of the Agenda, much progress has been made but much still remains to be done regarding the consensus principle of the WTO in relation to agriculture, market access and services.²⁸² The absence of negotiation on these matters has given rise to a movement of preferential trade agreements (PTAs). It should be noted that these negotiations were directed

²⁸⁰ Chapter 4.1.

²⁸¹ Chapter 4.2.

²⁸² Chapter 3.5.

as part of the result of the Uruguay Round and reflected the view of various participants that there had been an incomplete negotiation.²⁸³

The role played by the intergovernmental organisations (IGOs), such as, the WTO, the IMF and the World Bank is important in the multilateral trading system.²⁸⁴ BRICS countries have a practical role in the multilateral trading system reform. This role refers to the norm setting processes in the governance of the global economy.²⁸⁵ At this stage it is clear that the voice of developing countries specifically BRICS countries is seems to become a counterbalance of the develop countries in term of decision making process on the world scene with a wider economic and political aims.²⁸⁶

The challenges of BRICS countries, as mentioned in Chapter 4²⁸⁷ above, is to promote more trade co-operation among themselves and with other developing countries. Mutual trade co-operation will therefore be a principle mechanism of BRICS countries to facilitate trade development. Although it not an easy task for BRICS countries to achieve certain broad level economic reforms as well as to reform the global financial system, they demand to be more involved in the decision making process, such as that of the WTO, the IMF, and the World Bank. This reform is particularly significant to developing countries for the development of their economic growth. The broad comparison in term of mutual trade co-operation indicated in Chapter 4²⁸⁸ that BRICS members are engaged to build intra-trade co-operation even if trade co-operation among BRICS countries is dominated by China.²⁸⁹

It is apparent from the research that the economic contribution of BRICS countries is presently a driving force in their respective regions in particular and in the world. The BRICS agenda for the multilateral trading system has led to a change in the method of governance of the international economic system.²⁹⁰ In addition to improved adherence to international agreements, developing countries called for a better framework between international trade rules and the legitimate right to a democratic system in the multilateral trading system.²⁹¹ The obligation of the WTO and the Bretton Woods institutions' members to engage further in

²⁸³ Chapter 2.2.

²⁸⁴ Chapter 3.1.

²⁸⁵ Chapter 3.3.1.

²⁸⁶ Chapter 4.2.

²⁸⁷ Chapter 4.1.

²⁸⁸ Chapter 4.1.1

²⁸⁹ Chapter 4.1.1.

²⁹⁰ Chapter 4.3.1.

²⁹¹ Chapter 3.2.

negotiations, and a global reform agenda for a global market which should include developing countries, are both important for developed and developing countries. The voice of BRICS countries regarding their economic weight has changed the nature of negotiation in the multilateral trading system.²⁹² It will be almost impossible to build the future of the multilateral trading system without consulting the opinion of the BRICS countries. Also, their economic power in the regional trade agreement and international arenas has had a significant impact on the global market.²⁹³

The BRICS member countries have not only had impressive growth rates in the past, but also have great potential for the future. They have all formulated long-term development strategies that require a more just and fair international political and economic governance system. The BRICS member countries are looking to co-ordinate efforts to make the emerging international system more balanced, equitable and sustainable.²⁹⁴ As seen in Chapter 3, with regard to the WTO Doha Development Agenda, decision making has been inefficient for developing countries to achieve the relevant reform in the multilateral trading system. Developed countries should understand that the Doha Round did not achieve a broad deal of negotiation due to the non-democratic system and lack of transparency. Thus, to achieve a positive development agenda in the future regarding international trade, the impact of developing countries, particularly the BRICS countries must be taken into consideration due to their current economic power in the multilateral trading system.

Although a number of reforms have been made in the WTO and the IMF, the debate over whether democratic participation of developing countries in the WTO decision making process contributes to or weakens and damages the multilateral trading system still remains. The principle of reciprocity and one member one vote remain relevant in a theory which provides for the equality of all WTO members. However, the reality is quite different: developing countries have not been able to defend their interests in the WTO at all.²⁹⁵ Thus, that there is fairness in the WTO will not provide the possibility for WTO members to rebuild the development framework which exists in order to make it more democratic and involve more developing countries in the decision making process. Developing countries, especially the BRICS countries, should learn from the mistake made by developed countries in the past.

²⁹² Chapter 3.6.

²⁹³ Chapter 3.4.4.

²⁹⁴ Chapter 3.3.

²⁹⁵ Chapter 2.4.2 and 2.4.3.

Thus, for a better framework for the future multilateral trading system, BRICS countries should have their own Agenda which will reflect a solid framework for trade negotiation between States member and provide a consolidated voice on the international scene.

5.3 Broad recommendations

It is very encouraging that developing countries have taken a position at the recent WTO and G20 Summits. The demand of the BRICS countries for the reform of international institutions, such as, the WTO, the IMF and the World Bank, and for them to be more equitable and more democratic in the multilateral trading system, should be encouraged. Their aspirations for reinforcing partnerships with emerging markets, including those on the African continent, and regional trade in order to strengthen progressive development, are their challenges for further development in the multilateral trading system.

5.3.1 WTO decision making reform

For further development negotiation in the WTO, the interests of the developing countries should be taken into consideration as they reflect a potential market in the international trade system. Therefore, the WTO should take into account equilibrium in the decision making, such as:

- Democracy and reform will have consequences for the possibility of negotiations that are possible at any one time. In deciding the opportunity for negotiations, and their eventual taking place, WTO members should ensure a balance between the interests of countries.
- Information should be provided to delegations giving them an in depth report and analysis of discussions at WTO meetings to improve their understanding of transparency.
- To participate effectively in the multilateral trading system without any discrimination.

5.3.2 BRICS reforms

Without a legal treaty, IGOs do not have legal status. Therefore, BRICS countries should enter into a legal agreement framework to make BRICS a more powerful institution in the

multilateral trading system negotiations, such as, that of the European Union (EU) and MERCOSUR. BRICS countries, in the interest of further development, should have, a treaty, and create formal spaces for dialogue and engagement which will make BRICS a legal coalition of countries on the international scene.

With regard to trade co-operation, BRICS should facilitate greater co-operation, especially in respect of goods and services, towards strengthening partnerships for development and industrialisation. Furthermore, negotiations should involve the possibility to develop more PTAs among them and in their specific areas. In addition, BRICS should reinforce financial and development co-operation *via* the BRICS Development Bank, and create legal instruments to deal with instability in the global economy.

Reforming the institutions of global governance was in the consideration of the G20 summit. Enlightened democratic process and transparency in the WTO, the IMF and the World Bank should be the objective and present different opportunities for developing countries and developed countries.

The voice of BRICS should strive to increase representation of emerging economies and developing countries at multilateral summits. BRICS should actively explore innovative and complementary co-operation for sustainable and impartial development. The BRICS countries should create a BRICS parliament, like the EU parliament, to increase political co-operation. BRICS should continue to collaborate to identify and utilise strategic opportunities to advance its objective of reform of global multilateral institutions in order to make them more democratic, representative and accountable.

The diversity in terms of the participation of the BRICS countries should be recognised as historic co-operation on the Africa in continent. Although the BRICS countries are seen as new financial partners for Africa's development, they should use win-win co-operation to give African countries opportunities to develop many sectors, such as, industry, services, and agriculture. Those opportunities will grow the economies of the Africa continent and make them competitive in the multilateral trading system. This should include the pursuit of greater co-operation with the African Union, taking into account Africa's priorities, especially integration.

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