

GREEN ROOM POLITICS
AND THE WTO'S CRISIS OF REPRESENTATION

Conference Draft

By

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September 30, 2004

Prepared for:

Centre for the Study of International Institutions

Conference, November 2004

Innsbruck, Austria

The World Trade Organization (WTO), like the General Agreement on Tariffs and Trade (GATT) that preceded it, conducts negotiations among its members on the basis of *consensus*. In this regard it is unlike other international institutions, especially those designed for a global membership. United Nations deliberations¹, if they entail critical political or security issues, are always subject to the veto power of the Security Council. Among the WTO's "Bretton Woods" sister institutions, the International Monetary Fund (IMF) maintains an executive board and the World Bank has a board of executive directors, with decision making determined by a system of weighted voting by countries. The weights are determined by a country's GDP, current account transactions, and official reserves.²

Given the accomplishments of the GATT/WTO system over the years, including the completion of eight major multilateral rounds of trade negotiations since 1947³, it is perhaps surprising that a system of consensus-based decision making has been so successful. The WTO currently has 147 members,⁴ and presumably each one of them has veto power over any agreement. The path to negotiated agreements has often been slow and painful, marked by periodic stalemates, walkouts, and negotiating brinkmanship. The ability of the WTO membership to avoid the fatal gridlock that such a method of decision making might generate is due in part to a system of trade negotiations that 1) tends to establish a broad approach to issue agendas early in negotiating rounds, in order to accommodate as many countries' trade interests as possible; 2) contains negotiating rules and procedures that systematize trade bargaining, including most-favored nation (non-discriminatory) treatment of trade agreements, reciprocity, and the use of "principal supplier" and "multilateral balancing" in market opening discussions;⁵ and 3) often employs an informal "green room" system of meetings at critical stages of the negotiating process, in which a small group of

countries meets to bargain over particularly difficult or sensitive issues upon which progress in the negotiations depends.

The green room is managed by the WTO Director-General (D-G), who calls meetings and determines who will be invited. During Ministerial meetings, the meetings are often co-managed by the Conference chair, and on other occasions the meetings are chaired by the Chairman of the WTO General Council.⁶ The United States and European Union are by all accounts always present, and are typically (but not always) joined by their “quad” partners, Japan and Canada. Depending on the issue and the scope of national interests involved, the D-G will also invite other developed countries and developing countries. Green room talks are designed to facilitate discussions among the select group that will lead to a convergence of views and eventually to drafts on critical negotiating issues that would form the basis for consensus among all WTO members. Thus, even though the green room meeting is an informal arrangement, the deliberations have a quasi-official character, which is designed to provide a credible imprimatur for purposes of presenting the results to the general WTO membership for approval.

This model of decision making is based on the experience of many trade negotiators that, once the number of active participants in a debate reaches 25-30, progress becomes increasingly difficult. Blackhurst (2001) describes this arrangement as a “concentric circles” model of decision making, in which the smaller group is needed to assure a practical process of negotiation on behalf of the larger group.

Yet in recent years it has been increasingly difficult for the green room meetings to form the basis for a viable consensus in the entire WTO membership. Forming a consensus on broad multilateral trade issues has been particularly difficult since the Singapore Ministerial meeting in 1996, and became a major cause for concern after the spectacular failure of the Seattle Ministerial in

1999 to launch a new trade round. Despite the eventual launch of the Doha Trade round in 2001, negotiations have bogged down, and in some cases, broken down completely, as in the September 2003 WTO Cancun Ministerial meeting. In recent years, world trade talks have appeared to lurch from crisis to crisis, and while this is not a new phenomenon (similar crises plagued the Tokyo and Uruguay Rounds), there is increasing concern that decision making within the WTO has become a prisoner to overpowering gridlock.

This paper sets out to examine the controversy over green room politics and to identify the difficulties of using the traditional green room model in the changing negotiating environment in the WTO. The paper begins with a description of the conceptual framework for understanding the political economy of green room decisions. After a brief discussion of the background of the green room system, the paper presents an account of the contributing factors to a progressive weakening of the ability of green room negotiations to form the basis for consensus. There follows an assessment of proposals for decision making reform, including the author's proposal for introducing a systematic structure of representation and coalition-building within the green room structure. The paper concludes with an outlook on future governance reform in the WTO.

Conceptual Framework

While in principle each WTO member has equal voting rights, in practice voting rarely takes place in the WTO. Article IX of the Agreement Establishing the World Trade Organization indicates that "the WTO shall continue the practice of decision-making by consensus followed by the GATT 1947." Neither the GATT nor the WTO defines consensus explicitly. Kenworthy (2000) notes that consensus is regarded in diplomatic practice as "the absence of dissent," which presumably represents agreement that is weaker than unanimity. The practice of green-room based

decision making, as the following accounts will show, certainly indicates that “consensus” in the WTO typically represents a state of acceptance by all members to an agreement that is superior to any practical alternative. Members may not like the decision, but are nonetheless willing to join the consensus if they believe it is the best outcome available to them.

The political structure of GATT/WTO decision making follows a hegemonic trade model, with the United States dominating from the inception of the GATT in 1947 throughout the 1960s but having declined in relative importance since then. Currently the United States and the European Union are the two dominant players in the WTO, and any WTO agreement must begin with agreement between them. Despite the nominal reliance on broad-based consensus, bargaining power in the WTO is determined by a combination of population, wealth and trade volumes (particularly through high per-capita GDP and the volume of imports it can support), since trade flows determine what Odell (2000) calls the “best alternative to negotiated agreement” (BATNA).⁷ One measure of bargaining power in this regard is a country’s share of world trade. Trade between the US and the EU and their respective trading partners alone accounts for more than half of all world trade, and these countries are therefore in a position to negotiate bilateral agreements among each other and with selected trading partners.⁸ Using this measurement, it is possible to establish a rough ranking of bargaining power according to trade and GDP, with the Quad countries at the top, followed by other Organization for Economic Cooperation (OECD) countries, and with the poorest developing countries at the bottom.⁹ Kindleberger (1981) emphasizes the importance of hegemonic leadership in creating stability for international economic systems, and this factor is relevant to WTO negotiations, whose progress typically follows initiatives by the large and powerful countries. At the same time, Cohn (2002) observes that hegemonic leadership does not always guarantee absolute progress towards trade liberalization, based on observations regarding textile, steel, and automobile

trade protectionism, for example. To the extent that power-based bargaining determines the process of forming a consensus in the WTO, Steinberg (2002) has described the system as “organized hypocrisy.” It is important to recognize, however, that the large countries, acting on their own, cannot completely control WTO negotiations, which offer benefits beyond those available under preferential trade agreements. Gains from multilateral trade in an organization with near-universal representation are thus still subject to the constraints of final agreement based on consensus (at least in the form of non-opposition) of the entire membership.

The major features of green room politics can be analyzed with the help of a welfare-based model of negotiations, with some qualifications. Bagwell and Staiger (2002) have formalized and synthesized such a theory of trade negotiations in the GATT/WTO system, and Odell (2000) has provided a political framework for understanding international economic negotiations in general. The Bagwell/Staiger model represents rules-based bargaining, and allows all member countries to move from the lower welfare levels of unilateral tariff-setting, as represented by an uncooperative Nash equilibrium, to higher welfare levels of reciprocal tariff reductions. While the rules of the trading system tend to even out the differences in negotiated welfare gains between small and large countries, it is clear that the “zone of agreement” of possible negotiated outcomes leaves room for disproportionate sharing of the gains from trade.¹⁰ Thus, both parties may indeed benefit from the negotiated tariff reduction, but the gains may not be shared equally. A small country would, according to welfare economic analysis, be willing to accept a lesser share of the gains as long as it represents a superior outcome to the next best alternative, presumably the uncooperative Nash equilibrium tariff. In considering the role of power-based bargaining, it is noteworthy that large countries theoretically have more advantageous bargaining alternatives (BATNA), such as separate bilateral or other preferential trade arrangements that are not, however, superior to the multilateral

cooperative tariffs.¹¹ These considerations shape the political economy of green room-based decision making.

In this context the green room talks enter the negotiating model as a potential way for larger and more powerful countries to maintain limited control over a sequential bargaining process. Hamilton and Whalley (1989) have identified three stages of multilateral negotiations: agenda-setting, proposal development and subsequent end-game bargaining. It is typically assumed in the bargaining model that countries seek a “political optimum” in their bargaining, in which government preferences may favor income distribution in favor of certain groups.¹² By controlling the agenda, at least in its later stages, and leaving other participants outside the green room with a “take-it-or-leave-it” decision, those in control of the process may be able to avoid the more difficult political sacrifices that a “balanced” agenda would otherwise impose on them. They may then move towards their politically optimal outcome, perhaps at the expense of weaker participants. Weaker countries would then be expected to protect or enhance their interests in various ways, for example, by: 1) insinuating themselves into the green room as full participants; 2) forming an alliance with a green room participant that can effectively represent their interests; or 3) forming an effective alliance among other “outsiders” that can collectively increase their bargaining power vis a vis the green room. In forming an effective alliance, weaker countries may enhance their bargaining power by presenting a credible threat of defection from the overall, consensus-driven bargain; the drawback is that this strategy raises the stakes by putting any possible negotiated gains at risk.

It is important to recognize a number of specific green room factors in completing our understanding of the conceptual framework. First, the incentives for all WTO members, including those outside the green room, to agree to a trade liberalizing agreement have apparently been

extremely compelling, at least until recently. In addition to the immediate gains from trade liberalization, small as they may be for some participants, there are systemic gains from taking part in the WTO system (see Birdsall and Lawrence 1999). For small and weaker countries especially, the rules-based system offers protection for all previously won gains from trade, as well as any future gains from trade, through the dispute settlement process (Yarbrough and Yarbrough 1992). Non-participation in the negotiations by one country is likely to diminish its own welfare, not only for the present, but perhaps in the future. An explicit recognition of future benefits would formally require the inclusion of an opportunity discount rate in present value calculation of future net WTO benefits to participating countries. Non-participation by a larger number of countries could be even worse if it were to undermine the rules-based system itself. This is the downside risk of a coordinated boycott or walk-out, which countries would have to weigh against the possible gains of forcing a re-negotiation more favorable to them. In the history of the GATT/WTO system, no country has ever abandoned a trade negotiation completely or withdrawn from the organization.

The second point is that the traditional bargaining model assumes straightforward tariff negotiations, and one of the critical complications of recent WTO negotiations is the increasingly wide range of disparate issues that countries must somehow balance in a negotiated, “single undertaking” package. The uncertainty of economic gains and political costs from liberalizing non-tariff barriers, especially behind-the-border measures that may be very difficult to quantify, will tend to make the optimization problem more difficult to assess. McMillan (1988) notes that trade negotiations typically have multiple equilibria based on the large set of various liberalization measures that are all welfare-improving, which will require a coordination of expectations (through leadership of some participants, for example) in order to generate a “focal point” and one particular equilibrium as an outcome. In this sense bargaining is “path-dependent,” in the sense that particular

historical and political contexts, not to mention personalities, may play significant roles in the negotiating agenda and its outcome. More importantly, this complication may reduce the efficiency of the green room process in allowing the stronger countries (the Quad) to anticipate correctly the negotiating resistance points of those countries outside the green room.

To the extent that the green room system is important in allowing a country's interests to influence the negotiations, it also sets up an "insider-outsider" problem. Those who have access to the green room can presumably assert their own interests more readily, and achieve a more favorable outcome on the negotiating zone of agreement. If the seats at the green room table are limited, then reforms that include new green room members may entail displacing current participants, so that a potential zero-sum welfare trap is created. Overcoming the pitfalls of the zero-sum solution would therefore require either a compensatory scheme for the "losers" or other reforms (for example, some way of expanding green room participation), in order to avoid the veto of the displaced participants.

Finally, it is necessary to consider a contrarian position: that the green room itself does not really matter in terms of allocating the gains from negotiated outcomes. Some trade officials with green room experience, for example, insist that powerful countries cannot control the negotiating agenda or outcome any more through the green room than they otherwise do in the WTO system, since the D-G calls the meetings, sets the meeting agenda, and invites the participants. Satisfaction among Quad member countries with green room processes and negotiating drafts that arise from them is not guaranteed. In this view, the bargaining power and representation of weaker countries in the WTO depends on their ability to form effective coalitions rather than on their access to the green room.¹³ These observations stand in sharp contrast with many third-world critiques of WTO governance (Jawara and Kwa 2003, Sharma 2003), which see the green room as a tool for rich-

country bullying and dominance over poor countries. Since the green room represents an informal process controlled by the D-G, these conflicting views suggest that its effectiveness may depend at least in part on the personality, leadership and competency of the D-G, as well as the D-G's ability (or lack thereof) to remain neutral in granting green room representation to different points of view.

Structure and Background of the Green Room Process

Historically, the dominance of the United States in the early years of the GATT led to decision making that relied principally on the US initiatives and bilateral consultations between the United States and other GATT members or small groups of members. Green room sessions were not needed to forge a consensus at that time. It was only later, as the European Union (founded in 1958 as the European Common Market) gained importance in world trade, the GATT membership expanded, and the complexity of issues increased, that the need for a more structured system of consultation developed. The earliest reported green room meetings took place during the Tokyo Round. They acquired the "green room" nickname because the meetings generally took place in the room next to the GATT D-G's office in Geneva, whose décor was green. Thereafter all such consultations became known as green room meetings.

Early green room meetings during the Tokyo Round tended to be small, with fewer than eight member countries represented, but since the Uruguay Round the meetings have generally included 25-30 or more countries (Cohn 2002, p. 16). The list of participating countries in the green room talks depends on the issue. Schott and Watal (2000) have compiled a list of typical participants in recent years that includes, in addition to the Quad countries, Australia, New Zealand, Switzerland, Norway, one or two transition (former non-market economy) countries, and a number of developing countries. Among the developing countries, representation generally includes some

combination of Argentina, Brazil, Chile, China, Colombia, Egypt, Hong Kong, India, Korea, Mexico, Pakistan, South Africa, and at least one ASEAN country (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam). Odell (2001) notes that, with the EU representing 15 (now 25) members together, the developed countries typically occupy no more than seven seats at a green room meeting. However, it is clear that Quad country issues, particularly those of the US and EU, will dominate most green room meetings, since any final agreement typically requires approval by these two participants.

Increasing Green Room Difficulties in the Evolving World Trading System

The evolution of the world trading system has made the informal and ad hoc nature of the green room process increasingly problematical. One significant problem is that the membership has expanded greatly in recent years. The GATT began with 23 countries and the WTO now has 147 members and continues to grow. The increasing membership alone makes negotiations more and more unwieldy, and a green room process less and less likely to capture all the critical differences among all its members.

Another difficulty with the green room bargaining process is that the scope of negotiation issues has also expanded. In the early years of the GATT, the focus of negotiations was the tariff, and broad bargaining schemes of tariff reductions were relatively easy at that time to devise because they provided transparent, quantitative measures of liberalization.¹⁴ Beginning with the Kennedy Round (1963-67), the trade agenda has turned increasingly to non-tariff and “behind the border” barriers to trade, which are much more difficult to negotiate. In the Uruguay Round (1986-94), the scope of negotiations expanded to include hitherto untouched areas in agriculture, intellectual property protection, and a reform of the dispute settlement process, among other issues.¹⁵ The

proliferation of trade topics has complicated the negotiating process, as shown by the increasing amount of time over the years it has been taking to conclude each successive trade round. The green room process has increasingly been called upon to resolve a wide range of complicated trade-offs that each WTO member must consider. Achieving a viable consensus within the green room that will also be acceptable to a much larger membership has correspondingly become more difficult.

Related to the problem of increasing complexity is the requirement that all WTO members in the final trade agreement must now accept the entire package of negotiated outcomes, with no partial opt-outs. This arrangement is known as the “single undertaking,” and began with the Uruguay Round. Earlier negotiations in the Kennedy and Tokyo Rounds had allowed “a la carte” treatment on some issues, making it much easier to partition the negotiations and forge a green room consensus on a more limited number of core topics. In contrast, the green room meetings now must deal with the implications of each element of a wide-ranging agenda debate and interim agreement for a final package.

Aside from the constraints of a single undertaking, the WTO’s dispute settlement understanding (DSU) has further increased the stakes of the negotiations. The reformed DSU, negotiated in the Uruguay Round, has made WTO dispute panel decisions virtually impossible to veto, in contrast with the earlier GATT system, which allowed any member to veto a decision. Thus, countries can no longer ignore a dispute settlement decision that goes against them, and must anticipate the possibility of future challenges to their national trade policies and practices in any negotiation. Combined with the other factors described above, the upshot for green room meetings is that it has become much more difficult to achieve the minimal terms of consensus for the entire WTO membership, now that vetoing a dispute settlement case has been effectively eliminated.

Green room politics have also changed as a result of the evolving role of developing countries in the world trading system. In earlier, tariff-focused negotiations under the terms of Part IV of the GATT and “special and differential treatment” introduced in the Tokyo Round, developing countries were allowed to take a largely passive role, with no requirement for reciprocity in market opening proposals. Ironically, this aspect of developing country participation in the GATT tended to marginalize their role in the negotiations, and later came to clash with the trend towards a broader trade agenda in which their interests were greatly affected. Whereas the stakes for developing countries in earlier green room tariff discussions were not particularly high, more recent trade talks include items with potentially high costs or benefits for them, including intellectual property protection, trade facilitation, textiles and apparel, and developed country agricultural subsidies, to name a few.¹⁶ The arithmetic of green room representation also tells a story. Nearly all of the new members that have joined the GATT/WTO since the very early years have been developing countries, and now the vast majority of the WTO membership—approximately 75%—consists of either developing or transition countries. At the same time, the green room’s capacity to accommodate the specific interests of the WTO’s growing developing country membership has not increased.

In the wake of increasing complexity in the negotiations and a growing sense of unfairness by some WTO members regarding the frequent lack of transparency and the exclusivity of the green room process, polarizing issues can quickly erode the political good will necessary to reach consensus among the WTO membership. Some countries have come to regard the green room as a forum for ramming favored rich-country proposals down the throats of the poor countries, such as the introduction of labor and environmental standards into the WTO, intellectual property protection, investment and competition policy, and agricultural trade barriers and subsidies. Non-

governmental organization (NGO) advocacy groups are now closely watching WTO negotiations and often encouraging developing countries, already angered by green room governance, to take a hard line on particular issues. Under these circumstances, fruitful negotiations towards common ground become more elusive.

Breakdown of the Green Room-Based Consensus Model

Blackhurst and Hartridge (2003) report an illustrative example of the asymmetrical bargaining process that was already showing significant signs of stress:

The December 1996 Singapore Ministerial Declaration was based on a draft prepared in Geneva containing agreed text on all but certain sensitive issues. In Singapore, an “inner circle” [green room] composed of ministers from thirty-four of the WTO’s then 128 members took responsibility for arriving at agreed text on the remaining issues. At the late evening session devoted to getting a consensus on the draft declaration, most of the other 90 or so WTO members with delegations in Singapore took the floor in turn, each making virtually identical interventions consisting of three points: first they thanked the thirty-four members of the inner circle for their hard work; second that although they had some reservations on certain points, they could join the consensus in favor of the draft declaration; and third, that the way in which the draft declaration had been prepared was undemocratic, unfair and disgraceful, that they were no longer willing to accept a decision-making process that always presented them with *faits accomplis*, and that they attached the highest priority to fundamentally revising the way important decisions are arrived at in the WTO.

Smaller developing countries, in particular, have long railed against the green room process, and against other elements of WTO governance that allegedly diminish their ability to influence the course of trade negotiations. As the account of the Singapore Ministerial above points out, however, until recently at least the developing countries had been willing to accept the asymmetric bargaining model. Three types of problems might upset the model’s sustainability, however: 1) the perceived lowering of expected net benefits by individual or groups of developing countries below the bargaining resistance points; 2) the formation of bargaining cartels by developing countries, especially with larger and more influential countries, that could hold hostage important trade

benefits to the dominant countries; and 3) polarizing situations or issues that undermine the credibility of the green room system and motivate a boycott of the negotiations. The relevant WTO governance issue thus becomes this: at what point would the smaller WTO members credibly refuse to accept a green room bargain made in their absence?

Odell (2001) noted that WTO decision making was deadlocked on all significant multilateral trade issues from the end of the Uruguay Round in 1994 until 2001. WTO members did successfully launch the Doha Round in November 2001, under considerable pressure to redress the failure of the 1999 Seattle Ministerial and to provide a united front in support of global trade in the wake of the September 11 terrorist attacks in the United States. The exceptional circumstances of the Doha Ministerial could not, however, prevent the subsequent failure of the subsequent Cancun Ministerial, in which a backlash against green room procedures by developing countries played a significant role.

Steinberg (2002) describes WTO consensus-based decision making as a bifurcated process. “Law-based” bargaining is based on procedural rules and prevails at the early stages of a negotiation in order to provide a broad basis of welfare-enhancing negotiating issues for the widest possible membership. Thus, the beginning agenda for trade negotiations tends to be wide-ranging and ambitious. Any measures to prevent the inclusion of issues deemed important by significant WTO member countries (or groups of countries) would threaten the launch of the trade round. Steinberg contrasts this accommodating approach to consensus building in the early stages with the asymmetrical “power-based” bargaining that tends to prevail in the latter stages of the negotiations, when the large trading powers assert their leverage to conclude the negotiations on terms favorable to them.

This distinction is useful in explaining the successful Doha Ministerial to launch the current round of trade negotiations, followed by the breakdown at the Cancun mid-term meeting. The Doha meeting was indeed saved at the last minute by behind-the-scenes bargaining by the EU and the US with India (with considerable obfuscation of the resulting agenda), while at Cancun the EU and the US attempted to use green room bargaining to emphasize certain agenda items of special interest to them, while minimizing progress on issues that were politically sensitive to them at home.

A significant green room crisis had occurred at the Seattle Ministerial that was supposed to launch the multilateral trade round, however, which does not fit Steingberg's pattern so clearly. The increasingly complicated nature of trade negotiations described earlier had plagued the preparations for the Seattle Ministerial. Even before the Seattle meeting began, a crisis had developed when the Quad and other member countries failed to complete preliminary talks and achieve sufficient agreement on a negotiating agenda. Meetings during the week could not bridge the gap, and the hoped-for consensus on an agenda text was not possible. In last-minute desperation, US Trade Representative Charlene Barshefsky resorted to what seemed to be the only method left to forge a face-saving communiqué: a green room meeting among the Quad and a select group of countries. The green room negotiations themselves failed to generate a consensus among the participants, and even if it had, there was a strong likelihood that the rest of the WTO membership would have rejected it. Perhaps more important was the perception among WTO delegates from many developing countries that they had been openly neglected, ignored and marginalized in the attempt to forge a "WTO consensus" in their absence.¹⁷ The resentment among developing countries left out of green room meetings has followed the WTO ever since, and made consensus more difficult to achieve.

After finally reaching a consensus on an agenda for new trade negotiations at the November 2001 Doha Ministerial, a new crisis arose at the Cancun Ministerial in September 2003. The Quad had made preparations for Cancun in the traditional manner, through a series of green room, “mini-lateral” and bilateral meetings, which had also included larger developing countries such as India and Brazil. There were, however, numerous issues of contention that remained as the Cancun meeting began, including a number of divisive issues that had been papered over in the Doha Declaration. Now that serious negotiations had begun, countries were applying their own interpretation of the Doha text regarding concrete negotiating commitments, and these interpretations diverged significantly. The green room process had therefore not achieved internal consensus even among its participants, but many countries had hoped that differences could be addressed and overcome in the Cancun Ministerial meeting.

Many developing countries were expressing growing disillusionment with the Doha agenda, and many joined together to form the “G21” alliance, including large countries such as China, India, Brazil, and Indonesia.¹⁸ They came to the meeting demanding more concessions from the Quad countries on farm trade. A small group of African countries demanded reductions in US cotton subsidies. On these and other agricultural issues, the United States in particular was taking a hard position, and the EU, for its part, insisted until very late in the Cancun meeting on including a set of issues in the negotiations (competition policy, investment, government procurement, and trade facilitation) that many developing countries adamantly refused to consider. An interim Cancun text reflected Quad intransigence on these issues. As the meeting proceeded, many participants hardened their positions, and as the political will for compromise failed to materialize, the meeting collapsed.

While there were many contributing factors that led to the failure of the Cancun ministerial, it had become clear that green room procedures had become ineffective as a process of identifying the many critical negotiating “resistance points” among various participants.

Proposals for Reform

Some observers, especially those representing developing countries that are typically outside the green room system, have called for its complete removal as a part of WTO decision making (Sharma 2003, Jawara and Kwa 2003), to be replaced with a more “democratic” model. Presumably, what would be left to take its place is debate within the plenary WTO General Council, with ad hoc behind-the-scenes caucusing and coalition building. As long as the consensus rule prevails, however, it is unlikely that multilateral negotiations would be able to reach closure in such a fragmented forum. It is more likely that an informal Quad-dominated coalition would replicate itself and carry on the bargaining in the General Council. There is in any case little that other WTO member countries can do to prevent the Quad from meeting and negotiating among themselves, even if the imprimatur of a DG-led green room is removed. Proposals to establish a parliamentary-style, one-country, one-vote WTO, with majority or super-majority decision making, would clearly allow developing countries to dominate, but would just as clearly lead to a withdrawal of the rich countries from the system.¹⁹

The problem with the green room process from a realist perspective is not that it is unfair, per se, but that it has become inefficient. WTO governance in trade negotiations requires a process that can identify critical trade-offs to gain the necessary consensus, and the traditional green room meetings have shown signs that they may no longer be providing this function. Schott and Watal (2002) have proposed a revised green room arrangement based on the executive board model of the

IMF and World Bank. Representation on the board would be based on a country's relative weight in world trade volume, but in addition, there would be guaranteed seats for each geographical region of the WTO world membership, with some form of rotating participation among each group. The purpose would be to assure the widest possible representation of WTO members in the deliberations, with improved transparency and a continued requirement for consensus among the entire WTO membership for major decisions or negotiations. Blackhurst (2001) has proposed a similar "inner circle" model.

The executive board model has received support among senior WTO officials and some major countries²⁰. It would retain the basic negotiating purpose of the green room and would formalize the guaranteed representation of all regions of WTO membership. In terms of the underlying political interests and credibility of such a system, there are, however, two significant problems. First, the re-formulation of green room representation, if it is to address the problem of developing country participation, would almost certainly have to displace some of the current green room participants, particularly smaller OECD countries, and these countries may not willingly give up their "insider" status. Some guarantees for protecting their interests, or other forms of compensation, may be necessary to secure their agreement for the change. The second problem is that the executive board proposal in this form relies in part on geographical representation, especially for developing countries, whereas negotiating interests are not necessarily aligned geographically. Membership in a geographical grouping may therefore not assure effective representation for particular countries if their representative does not champion their particular economic interests.

A New Proposal: Coalitions, Issue Platforms and Proxies

A new variant of the green room reform proposals may be able to address these two problems. It would re-focus green room representation, and in fact representation within the WTO system generally, towards the development and voting presence of discrete “platforms,” whereby countries not present at the meetings themselves would give their voting proxies to a country representing the specific platform. Such a system could be combined with guaranteed seats for the Quad and for regions, but the important difference is that *issue platforms* would be represented formally in the green room. An important intermediate step would be the formation of coalitions among countries on specific issues. The WTO has some elements of such representation now, such as the Cairns Group (agricultural exporting countries, both developed and developing), the Like-Minded group (developing countries with more protectionist policies), and “Friends of the Round” (developed and developing countries with liberal trade policies) (see Michalopoulos 2001, p. 165). In recent years, coalition strategies have played an increasingly important role in WTO negotiations, even though many have not been successful and most have exhibited only temporary cohesiveness (Narlikar 2003). However, new coalitions might emerge along various dimensions: transition economies, countries importing patented medicines, poorer countries with limited trade policy “capacity,” etc.

Under a platform-and-proxy green room process, it would be necessary to promote the coalescing of trade interests into coherent and consistent negotiating positions. At the same time, individual countries could belong to different platforms on different issues. Clearly, there would need to be a way of limiting the proliferation of platforms on a specific issue, given the limited number of available seats—otherwise there could be 147 platforms on each issue. Some weighting system based on countries’ world trade shares, combined with the number of sponsoring countries,

might provide the basis for identifying the most important platforms. Alliance building and cross-issue compromises within a given platform group could, for example, expand the platform's "membership," and hence its political weight in the green room deliberation. Indeed, formal recognition of platforms in the green room would provide a strong incentive for countries to form coalitions on important issues, and thereby move the negotiating process forward towards a multilateral agreement.

While it would be best to have a designated representative for each of the recognized platforms in the green room, improved information sharing and communication could allow bargaining positions to be actively updated. On crucial negotiating points, platform groups would have to stage internal caucus meetings, but this need not require all interested parties to be present in the green room. A representative platform would in this regard have the salutary effect of presenting a position on the issue for *all* countries identified with it, and thereby expand the green room's reach. In addition, such a system would provide a credible forum for accurately identifying the negotiating trade-offs and bargaining chips that will play a role in forging a consensus among the entire group.

Such a system would also require increased transparency in green room deliberations, which may be a major hurdle in any efforts at reform, in view of the long-standing tradition of secrecy and direct country-to-country bargaining in trade negotiations.²¹ Yet a robust system of representation along these lines could allow member countries to recognize more clearly the relevant trade-offs in negotiations and thereby hasten progress towards consensus. The bargaining power of the Quad would be likely to remain dominant under such a system, but at the same time countries with weaker bargaining power individually could more efficiently form alliances, based on articulated platform positions, and thereby improve their joint bargaining position.

The platform approach would, in effect, set out to change the structure of green room deliberations from bilateral country-focused bargaining to broader issue-based (and perhaps multi-issue based) bargaining, in which individual countries outside the Quad would face limited negotiating flexibility at the green room meeting itself. For this reason, non-Quad OECD and developing country participants in the green room might object to the reforms, as platform representation gains at the expense of country representation. However, these are also likely to be countries that would take leadership roles in constructing issue platforms. Even so, it may still be necessary for the Quad, in particular, to provide assurances or compensating arrangements to countries that lose green room representation, for example, offers by Quad members to champion platform issues of special interest to those countries. Otherwise, countries without a seat at the green room would have a strong incentive to seek out or form coalitions to represent their interests.

In many ways, the success of platform- or issue-based representation in the green room would in fact depend on the development of a more effective framework for building coalitions within the WTO. One can argue that more effective coalitions representing weaker countries would assure increased bargaining power for those countries even in the absence of any green room reforms. Yet to achieve a more effective system of coalitional representation in the WTO is indeed a tall order. Narlikar (2003) documents the checkered performance of coalitions among weaker countries in the GATT/WTO system, noting that negotiating success is dependent on a combination of inner coherence and discipline of coalition members, effective strategy, and the presence of favorable external factors beyond the control of the coalition. Some recent successes indicate the possibilities of an effectively managed coalition, however.²² At present, the ability of WTO coalitions to provide a stable and longer-term framework for representation seems remote; even Quad countries have failed to maintain unity as a group on critical negotiating issues in recent years.

An additional problem may lie in the dangers, as some countries perceive them, of giving formal recognition to platforms or coalitions within the otherwise informal green room process. On the one hand, it may be argued that the green room already incorporates platform representation through existing coalitions, but with the understanding that countries are present only to represent themselves. The danger of allowing platforms to receive formal representation is that an individual country representative may not be a trustworthy broker for the other platform constituents' interests. In general, countries tend to view trade negotiations as being about "real money," that is, their real, nationally defined economic welfare, and they are typically loath to allow another country to represent their interests in a forum traditionally based on national representation and interests. Most smaller WTO member countries know first-hand of the risk of placing too much trust in a coalition partner, making the joint position vulnerable to selective US or EU offers of attractive side payments or other inducements to break the coalition. A more viable solution for the weaker countries, according to this view, would lie in strengthening the coalition's influence and leveraging it through plenary meetings and negotiating committees, and to use the green room to represent the coalition's views through individual members, but without "official" platform status.

Outlook

Informal decision making channels seem to have served the interests of the US, the EU and other large trading countries in the WTO, and to the extent that the system has generated multilateral trade liberalization, the rest of the world has benefited from this process as well. The hegemonic trading countries are unlikely to give up this system, even if it appears to be excruciatingly slow and prone to crisis. It is largely through these informal processes that large country interests are protected in a consensus-based organization, and they appear to be willing to

wait out the long negotiations that tend to result. However, the membership of the WTO has become so diverse, and the menu of trade-related topics has become so large, that informal decision making within the organization shows signs of losing its ability to move negotiations forward, and it must therefore adapt to its more complicated environment if progress is to occur in current and future multilateral negotiations. In particular, it has become increasingly difficult for the D-G in many cases to organize a green room meeting that will effectively represent the variety of positions that can serve as the basis for a consensus among all members. Reform in the informal decision making process is likely to be difficult, because any changes will upset the traditional negotiating processes that allow current green room participants to protect their bargaining interests. The green room problem itself is one of representation, and a wider scope of participation through issue platforms and proxies could address the structural requirements of reform. However, it is necessary to add that an opening up of the negotiating process may also require the scope of negotiating issues for large green room countries to broaden into “uncomfortable” areas that had previously remained protected by the politics of pre-emptive, power-based bargaining. In this regard, progress in complicated multilateral negotiations may increasingly require a more active market in side payments (foreign aid or other non-trade-related items) in order to avoid “hold-up” problems and facilitate a broad-based consensus.

At the same time, it is extremely unlikely that the institution of consensus-based decision making at the WTO can be replaced with anything along the lines of a formal executive board or security council empowered to act on behalf of the entire membership. A fragmented “democratic” process of voting, or spontaneous consensus is equally unlikely to solve the problem. For this reason, WTO negotiations will continue to require, as they always have, both leadership in setting trade agendas and initiatives, and political will among all members to conclude a mutually welfare-

enhancing agreement. The United States, and more recently the European Union and the other Quad countries, have served the leadership role, and there seems to be no substitute for this arrangement. Political will is equally important, and it will be necessary for all parties to the negotiations to avoid the attractions of a “spoiler” role on individual issues. If the platforms approach to green room reform develops into a more effective process of forming alliances and coalitions among WTO members (which in itself requires compromise), the outlook for broader agreements and movement towards consensus may be correspondingly more positive. In any case, the green room itself appears destined to continue as a decision making institution, and the weak states will find it increasingly important to form effective alliances—to influence decision making both inside and outside the green room—in order to make progress on their trade agendas.

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¹ M'Bow (1978) describes the operation of consensus in the U.N. General Assembly, and also describes the process and conditions for reaching consensus in a large organization.

² See the websites www.imf.org/external/about.htm and www.worldbank.org.

³ Multilateral trade negotiating rounds are typically named after the city or place where the initial negotiations take place, or in two cases, after the U.S. politician closely associated with the negotiations: Geneva I (1947); Annecy, France (1949); Torquay, UK (1950-51); Geneva II (1955-56); Dillon, named after U.S. Treasury Secretary C. Douglas Dillon (1960-61); Kennedy, named after U.S. President John F. Kennedy (1963-67); Tokyo (1973-79); Uruguay (1986-94); and the current Doha, Qatar, Round (2001-).

⁴ As of June 2004, 147 members had joined the WTO, with the addition of Cambodia to the organization's membership subject to ratification by its legislature by September 30, 2004. There are also 29 countries with observer status in the WTO, usually a precursor to an application for membership. Among countries still outside the WTO, the Russian Federation is the largest in terms of trade and population, and it is in the late stages of negotiating a protocol of accession.

⁵ See Hoekman, B.M. and Michel Kostecki (2001), pp. 126-28 for an overview of WTO negotiating procedures.

⁶ The green room meetings that led to the agreement to re-start the Doha negotiations in July, 2004 were chaired by the Chairman of the General council, Ambassador Tadamori Oshima, since the deliberations were part of an extended General Council meeting attended by several representatives at the ministerial level (correspondence with WTO official). Most green room meetings are held in Geneva and chaired by the D-G. Ministerial green rooms are more likely to occur in a crisis atmosphere.

⁷ Odell (2000, p.27) discusses the importance of this concept in economic negotiations among countries, and notes that the term originated with Fisher and Ury (1981).

⁸ Major trading countries (with the exception of Japan) have at times used preferential trade agreements (PTAs) with selected trading partners as a device to wring additional concessions from other countries in multilateral negotiations. The EU itself was formed as a PTA, and increased its trade bargaining power as a result. PTAs are in principle discouraged in the GATT/WTO system, but are allowed under the conditions of GATT article 24. It is important to add that most other PTAs, especially among smaller developing countries, have had little impact on multilateral bargaining power. For a general discussion see De Melo and Panagariya (1993).

⁹ OECD members include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Portugal, Spain, Sweden, Switzerland, Turkey and the US. Members of the EU are represented together at the WTO. Cohn (2002, p. 5) presents a world trade governance pyramid with the US and EU at the top, followed by the G7/G8 (US, Canada, UK, France, Germany, Italy, Japan, plus Russia), Quad and OECD. The WTO system is subordinate to these countries in world trade governance, according to Cohn's paradigm. At the bottom is the G77 (developing countries group) and United Nations Conference on Trade and Development (UNCTAD).

¹⁰ See Bagwell and Staiger (2002), pp. 36-39 and 68-70. Their approach is, however, to treat the GATT/WTO rules system as a method of minimizing power-based bargaining by dominant countries. Odell (2000, chapter 2) emphasizes the "resistance points" that set the boundaries of the "zone of agreement," especially in bilateral negotiations.

¹¹ U.S. Trade Representative Robert Zoellick has made plain the alternative U.S. strategy of concluding preferential trade agreements in attempting to motivate recalcitrant WTO trading partners to continue multilateral trade negotiations. See Zoellick (2003).

¹² See Bagwell and Staiger, pp. 18-41. It is important to remember that political considerations are central to the GATT/WTO mercantilist approach of reciprocity in trade negotiations, in which tariff reductions are regarded as trade "concessions." This aspect of the rules contradicts the traditional neoclassical analysis of the gains from trade. In a perfect world with no political constraints, equal players and no other externalities, the optimum tariffs would theoretically all be zero.

¹³ These views are based on correspondence with a former Quad trade official and with a current WTO official.

¹⁴ The first four negotiations used a line-by-line tariff approach, which became increasingly burdensome and was replaced by an across-the-board tariff-cutting approach in the Kennedy Round (see footnote 1). For a discussion of early GATT negotiating history, see Curzon (1965) and Dam (1970).

¹⁵ See Schott and Buurman (1994) for a review of the Uruguay Round results, and Hoekman and Kostecki (2001) for an analysis of the WTO system.

¹⁶ See Hoekman, Michalopoulos and Winters (2004) for a critique of special and differential treatment (STD) in trade negotiations with regard to the interests of developing countries. Indirectly, STD may have contributed to the marginalization of developing countries in the green room process, since they were partially detached from the give-and-take of reciprocal trade concessions.

¹⁷ Correspondence with a formal trade official from a Quad country indicates that there were in fact several representatives from poor and other developing countries at the crisis-laden Seattle green room meeting. Thus even a system of proportional representation would not necessarily satisfy countries left out of critical decision making forums.

¹⁸ Members included Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela. See "The WTO Under Fire," *Economist*, Sept. 18, 2003.

¹⁹ See Jawara and Kwa (2003) for a democratic critique of the WTO. Steinberg's (2002) examination of the history of US and EU deliberations over the governance structure for the GATT/WTO system is revealing. The Quad countries agreed that a consensus-based approach was best, with a nominal voting system (one-country, one vote) that would rarely, if ever, be used in practice. Power-based bargaining would then allow the Quad to assert its interests, based on consensus among the Quad countries. In past instances of supposed threats to this arrangement through legal means by developing countries, counter-proposals by the Quad for a separate "GATT-Plus" or other exclusive arrangement have arisen. Thus, any attempt to "democratize" WTO decision making would likely lead to its marginalization in Quad trade relations.

²⁰ See Panitchpakti 2001, current WTO D-G, and Delcros 2004, a representative from the European Commission.

²¹ See Cot (1972) for a general review of the role of secrecy in negotiations. Ullrich (2000) offers a specific proposal for increased openness in WTO negotiations.

²² See Odell and Sell (2003), describing the success of a coalition of developing countries to achieve reforms in the TRIPs agreement regarding compulsory licensing and imports.