

Towards Democratization of World Trade Organization: A Theoretical Discourse

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Introduction:

The progression of globalization seems to undermine the nation state as well as international organization making them as facilitators. As international organizations (IOs) have grown in number and influence, there has been an increase in calls for their democratization. One of the principal ways they can improve their nature is by becoming more transparent in decision making with following democratic norms. However, in order to gain sufficient understanding of the chances for international democracy and of the role of states within the framework of an international commerce, it is necessary to recognize the fact that the still nation -state continues to be a prerequisite of democratization, though with a revised role. It is necessary to make the case for renewed approaches to examine the role of confidence in international associations that can vary across different nationalities. In this contexts, International Organizations (IOs) may be defined as "associations established by governments or their representatives that are sufficiently institutionalized to require regular meetings, rules governing decision making, a permanent staff, and a headquarters".¹ Many existing research concludes that countries join such organizations to resolve coordination and bargaining problems or to increase influence over third parties which specially applies to the way in which World Trade Organization (WTO) functions.

In conjunction with the common hypothesis that the state has lost its sovereignty, with regard to its internal supremacy and external independence, the ideal of democratic self-determination has also been weakened. As it has not actually fallen victim to the

¹ Shanks, Jacobson, and Kaplan, "Inertia and Change in the Constellation of International Governmental Organization 1981-1992", *International Organization*, Vol.50, No.4, (Autumn, 1996), pp.593.

neoliberal dogma of the unrestricted autonomy of the market. This model receives little more than lip-service. In the milieu of relationships between states, democratic processes appear to have lost their credibility given how far politics today is directed towards securing international competitive abilities. Presently, the states internal capacity to solve political problems through their traditionally centralized decision-making processes and hierarchical steering mechanisms has been strongly challenged. Thus Thomas Kuhn has argued, discipline boundaries thus come to resemble national boundaries in their capacity to limit knowledge transfer.² A "realist" perspective, in which states are the major actors, has dominated international relations. The organizations of the international scene are thus seen merely as creatures of the dominant actors, with little independent initiative, power, or effectiveness. In consequence there remains the problem of establishing democratic structures at the international level, the founding of 'international democracy'.³ Any assessment of the chances of international democracy must attempt to explain the problem of the participating national states particularly after formation of WTO. As such, firstly, there is the increase of the global dimension that is the necessity of political regulation beyond the reach of individual states. Second, economic globalization in particular, the deregulation of capital and financial markets tend to reduce the ability of nation-states, notably in regard to economic and social policies. Third, the territory of political actors has been transformed by globalization processes.

WTO and Democracy- An Ambivalent Relationship:

The democracy is the realist, liberal and pluralist model. Democracy is treated here as a form of decentralized separation of powers, with the installation of checks and balance (retaliatory measures), i.e. mechanisms of domination control (QUAD), aimed at guaranteeing liberal (market) freedoms and political participation (to negotiations) which can only be understood as an efficient element within such arrangements. The political order rests principally upon peaceful and orderly cooperation among diverse power groups, one of which is the state itself, and its democratic content is limited to decisions mediated by elites. Lindblom, who is a critical supporter of the 'realist' theory of democracy, prefers to speak of 'polyarchy' rather than 'democracy', and maintains that the dichotomy between political and economic positions of power is not only fundamental, but is also a structural element which safeguards freedom. In this formulation, capitalism is identified with democracy and the capitalist economy is asserted a condition for democracy, thus robbing the latter of its role in promoting evolutionary change within society. This depends upon certain critical factors that have been taken for analysis includes environmental, negotiations, operational procedures, undertakings and decision making process (formal and informal).

²Thomas Kuhn, "*The Structure of Scientific Revolutions*" (Chicago: University of Chicago Press, 1962).

³Archibugi, D, 'From the United Nations to Cosmopolitan Democracy', in D. Archibugi and D. Held (eds) *Cosmopolitan Democracy*, (Cambridge: Polity Press, 1995), pp. 121.

Environment:

The shift from closed to open systems in organization marked the important recognition that environments vary and can have a decisive impact on organizational behavior and performance. Environmental forces shape goals, boundaries, and the internal activity of organizations. Conceptually, environments are found to vary in homogeneity, stability, complexity, and turbulence, all with substantial impact of character and behavior. Paul Lawrence and Jay Lorsch,⁴ for example, showed how environmental variance determined what type of structure would be most effective for an organization. There is, however, a strikingly parallel development in conceptions with the more current regime perspective in international relations, which may help to clarify both the concept and the operational difficulties it implies. As is well known, the regime perspective proposed, that there are systems of "principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations."⁵ At same time John Meyer and Richard Scott called the "institutional environmentalist," that is defined as "... including the rules and belief systems as well as the relational networks that arise in the broader societal context."⁶ Hence, the importance of environment cannot be negated in the entire process of democratization.

Further, International organization analyst's work on influence in international governmental organizations is noteworthy. Robert Cox and Harold Jacobson⁷ provided one example of the political scientist's examination of environments. First, they distinguish between the general and specific environments (which is not unlike the distinction between environments and task environments in organizational theory). General environments are those that affect all international organizations, specific environments affect only some, depending on the issue. Further, they conceive the general environment in terms of states, their characteristics and broad policies. Only states can become members of international organizations, and states are the principal units in world politics and the dominant mode for organizing human and physical resources. Cox and Jacobson recognize that this focus on states has some limitations, since it excludes transnational corporations, religious groups, or other "emerging forms of behavior and value." Aside from this specific treatment of the impact of environments on influence, work on international organizations has generally neglected this world of external conditions. The more common treatment is found in Jacobson's general work, *International Organizations: Networks of Interdependence*.⁸

⁴ Paul Lawrence and Jay Lorsch, "*Organization and Environment*" (Cambridge, Mass: Harvard University Press, 1967) provides a theoretical development as significant in organizational sociology as the advent of functionalism was in international organizations. In both cases, more mechanical, legalistic, and constitutional approaches to organizations shifted to more organic, behavioral, and empirical approaches.

⁵ Krasner, *International Regimes*, New York: Cornell Studies in Political Economy series, 1983, p. 186.

⁶ John W. Meyer and W. Richard Scott, "*Organizational Environments: Ritual and Rationality*", (Beverly Hills, Calif, Sage, 1983), p. 14.

⁷ Robert W. Cox and Harold K. Jacobson, "*The Anatomy of Influence*" (New Haven, Conn.: Yale University Press, 1974), p. 27. It should be noted that this work, which provides a conceptual framework together with case studies on influence in international organizations, focuses purely on international governmental organizations, though this distinction between IO and IGO is not made explicit.

⁸ Harold K. Jacobson, "*Networks of Interdependence*", (New York: Knopf, 1984).

The global environment and organizational autonomy would be more fruitful to analyze the complication of the environment, partly because it accords better with the world of international governmental organizations, and also because it permits the development of interesting propositions from the functionalist perspective that Jacobson's work portrays. First, although international governmental organizations indeed lack autonomy in one sense, in other important ways they use the sovereign state environment to increase their autonomy. WTO secretariats spend great amounts of time and energy in the ritual of conferences, establishing agendas, coopting member state representatives, developing technical data for specific organizational purposes, and generating consensual resolutions. These functions legitimize the demands or interests of WTO. One could not really understand this elaborate ritual of conference diplomacy without seeing it as a mechanism by which WTO use state sovereignty to increase their own autonomy. Further, WTO can use the differences between sovereign members to augment this autonomy. For example, if the governing body of a specialized committee presses for a change of policy or tactics, the committee can respond that it is carrying out the legitimate demands of the sovereign nation-states it serves. From this perspective of organizations as bodies adapting to an environment, WTO could be expected to obstruct, rather than to promote, greater world economic integration.

Negotiations:

While both actual negotiators and political scientists have written extensively on WTO negotiations to a substantial degree still negotiators have been unenthusiastic to have their actual talk studied. The comprehensive discourse analysis (CDA) could add both theoretically and practically important dimensions to our understanding of the discourse of WTO negotiations particularly as that discourse that leads directly to the initiation, continuation, increase, decrease, or termination of international economic conflict. There is a considerably longer tradition of studies of negotiation as a process and of specific negotiations by lawyers, political scientists, psychologists, and negotiators. In spite of these promising beginnings negotiations often end up with futile results in WTO. There are at least three reasons for this failure. First, for a variety of reasons, few records of important negotiations are collected, and those that are collected are generally not available for research scrutiny. Second, people who participate in actual negotiations are unpersuaded that examination of those negotiations at the level of the actual talk will reveal anything that they do not already know. Third, most people are unaware of the analytic power of CDA.

On the other hand the institution does not handle the right issues of the member countries favouring any nation nor provide good policy advice even to the LDC member's apart from providing them with technical assistance and with some special treatment again left to the mercy of the big powers. It also doesn't provide a political economy of a compromise between then unequal members in terms of their economic superiority. To add, the institutional design appropriateness for the developing and less developed countries in terms of WTO facilitating in understanding the issues or whether the process facilitate agreement in favour of weaker members is again under scanner. Accordingly, the

rounds doomed after Seattle ministerial meeting putting the credibility of the institution at stake or possibly could be interpreted as assertion of developing countries and LDC's in decision making process that stumbled the subsequent ministerial meetings.

Undertakings:

Country specific advantage and single package undertaking are significant variables in explaining differences between cooperative relationships with partners of different countries. Thus indicates that interfirm cooperation has implications for the international competitiveness of both firms and nations in high technology industries. Developing Countries have a comparative advantage in the foreign production of textiles and clothing and agriculture, developed countries in anti-dumping, services, TRIPs etc. Such differences as these can be explained only by an examination of the characteristics of the endowments of the countries in which the multinational enterprises operate and especially those of the home country. Collaboration partners from different countries are therefore likely to bring either symmetric or asymmetric conceptions of trust to the international political economy.⁹

Operational Procedures:

The main issue in operation of democratic process is the decision making procedure in WTO that sticks to consensus which itself goes against the interests of majority of members. The developing countries. This dilemma is reflected in arguments for need for 'Executive Board' for decision making, prioritizing of issues (as it is single package undertaking), undemocratic imposition on unwilling members, freedom of expression being curtailed and politics of informal decision making which takes place often behind closed doors called as mini-ministerial meetings attended by QUAD nations (US, EU, Canada and Japan) and few others. The operational structure has evolved in such a manner that it suits the interests of the wealthy countries rather to the needs of the developing or less developed countries.

Formal Decision Making:

The Agreement stipulates that WTO shall continue the GATT practice of decision making by consensus.¹⁰ Consensus was the modus operandi of the GATT. Consensus does not mean unanimity. Consensus is deemed to have been reached when, at the time a decision is being taken, not a single member country voices opposition to its adoption. Those that are not present or abstained don't count. Decision making by consensus is a useful device to ensure that only decisions on which there is no major opposition and consequently which have good chances of being implemented are made. This is because the WTO has few means of pressing unwilling nations to implement the decisions. Despite the

⁹Srilata Zaheer and Akbar Zaheer, "Trust across borders", *Journal of International Business Studies*, (2006) 37, pp. 21.

¹⁰ WTO Agreement, *Article IX: 1*; The WTO shall continue the practice of decision-making by consensus followed under GATT 1947.

effective lack of veto power, the consensus practice is of value to smaller countries as it enhances their negotiating leverage, particularly if they are able to form a coalition in the both formal and informal consultations which proceeds to the decision making. As it helps in enhancing the legitimacy of the decisions that are taken collectively so it makes mandatory for the developed nations to acknowledge the decisions taken when it is not to their favour. The rule of consensus thus prevents tyranny of the majority from exploiting the weak.

When a consensus is not possible, the WTO Agreement provides for decision by majority vote, which is based on principle of one member-one vote, with each country having one vote.¹¹ The four specific situations involving voting are; (1) An interpretation of any of the multilateral trade agreements can be adopted by a majority of three quarters of WTO members, (2) The Ministerial Conference can waive an obligation imposed on a particular member by a multilateral agreement, also through a three-quarters majority, (3) Decisions to amend provisions of the multilateral agreements can be adopted through approval either by all members or by a two-thirds majority depending on the nature of the provision concerned. But the amendments only take effect for those WTO members, who accept them and (4) A decision to admit a new member is taken by a two-third majority in the Ministerial Conferences, or the General Council in between the conferences.¹² Despite the provision decision on all the policy matters are expected to be taken by consensus.

Informal Decision Making

However in practical, issues were resolved first among the dominating members of the Quad group of countries which constitute the United States, the European Union, Japan and Canada. Quad served as an unofficial Board of Directors of the WTO as role played by the G7 finance ministers of IMF and World Bank. That decision would then be brought to a slightly larger forum called the 'Green Room' at the WTO. The 'Green Room' is a phrase taken from the informal name of the director-general's conference room, where trade envoys of some 15-20 members from industrialized, developing and least developed countries would be called to endorse it. Subsequently, the decision would be presented as a fait accompli to the larger membership. All this used to be justified on the ground that all 159 members of the WTO cannot arrive at a 'consensus' decision on trade issues in an open platform. For Example; WTO Chief Michael Moore and US Ambassador Barshefsky abandoned to give ears for developing countries during Seattle meeting and took decisions with major trading partners consisting of fifteen members. Shridath Ramphal, the former Secretary General of Commonwealth Nations called it as 'Neo-Colonists'.¹³ Thus secret

¹¹ Unlike the International Monetary Fund (IMF) and other organizations, WTO does not have a weighted voting system, under which some countries have more votes than the others and power is not delegated to a board of directors or the organization's head.

¹² Institute of Company Secretaries of India, n. 1, p. 61.

¹³ William, J. Antholin, "Towards a Democratic World Trading System", in T. K. Bhaumik, (ed) *Doha Development Agenda: A Global View* (New Delhi: Penguin Enterprises, 2003), p. 145-146.

negotiations, arm twisting, and the display of brute economic power by the US and Europe aimed at ensuring that the interests of the rich are protected.¹⁴

However, this system is now being overhauled. It is being replaced by what are called 'Informal Ministerial Meetings' where a diverse crowd of some 30-odd trade ministers are carefully picked by the host nation and then crucial trade issues are tossed up.¹⁵ Even in these informal ministerial meetings, some five or six key countries will decide among themselves the solution to the problem and subsequently present it to the remaining 25 ministers for approval. After it is clinched at the informal ministerial meeting, the agreement is endorsed at the WTO without much discussion. In some cases, it is called an 'informal decision'. Yet, the WTO members are required to implement the decision without formally adopting it. Little wonder that critics of the global trading system describe WTO as 'Whose Trade Organization?'. But now many African and some Asian countries are raising queries to decisions taken at the Informal Ministerial Meetings, or IMMs as they are now called in WTO acronyms. After all, the IMMs are being offered as a panacea for overcoming the long-drawn decision-making processes at the WTO that are being held responsible for the delays in concluding trade negotiations.¹⁶ In a nutshell, the member-driven-WTO is being gradually replaced by an informal-ministerial-driven organization.¹⁷

The Prospects for Democratization of WTO:

It is doubtless impossible to state 'international democracy' is not within the ambit of WTO, but still must be developed through the gradual politicization of structures and processes located within the institutional framework of the institution. It is only through these processes that the roles of new actors may gradually emerge. It is well known that democracy is not a condition, but rather a political movement, carried from decisive powers and classes, which struggle for specific goals. The foregoing strategic concepts concerning the democratization of WTO politics give rise to three further aspects: (1) the development of international 'civil societal' organizations and structures as a complement to the nationstate system to fight evils of WTO, (2) further strengthening of legal systems of WTO and (3) the creation of federal political structures on a global scale. First, the relations of 'civil society' have to be strengthened in the international domain. This development has been promoted by the NGOs in particular and still, other theorists measure the democratic effect of NGOs by their capacity for problem solving. In terms of the NGOs' role in achieving an 'international civil society', it should have been made clear that they only come to play a

¹⁴ Joseph, Stiglitz, "The Cancun round of WTO talks is a chance for developing countries to get a fairer deal. But don't count on that happening", *The Guardian*, Friday, August 15, 2003.

¹⁵ For example; Five Interested Parties (FIPs) was created by the US earlier in 2004 as an informal group to draw up the blueprint for the framework agreement in agriculture. The five members comprised the US, EU, Australia, Brazil and India (initially the US was reluctant to include India but under pressure from the EU it changed its mind). The FIPs' procedures are opaque and there is no record of the deliberations. Further, the understanding reached among the five members at the end of a meeting are kept confidential from the rest of the membership with the chairman of the Doha trade negotiations Ambassador Tim Groser being a central observer and a silent participant.

¹⁶ The Sutherland Committee had (2005) justified the need for IMMs but the committee's recommendations have not yet been formally adopted at the WTO.

¹⁷ Commentary, "New Opacity at WTO", *Economic and Political Weekly*, May 21, 2005.

democratic role within the network of international regulation when, and to the extent that, they are in a position to develop self-reliance, independence and, eventually, an oppositional power vis-a-vis state structures. The regulated cooperation of the actors within 'civil society' with the NGOs as well as with the established interest organizations is a way of securing dominant interests. In contrast, the denial of formal participation and a relative independence from it, or furthermore the establishing of anti-power and resistance presents at least an incomplete substitute for the absence of democratic processes. The democratization of international politics basically depends upon the emergence of new democratic forms and actors within the national framework. Second, central to the rather judicially and institutionally oriented concepts of the development of an international democracy are the strengthening of WTO institutions, and the extension and guarantee of human and civil rights which are independent of the state. Third, as a rule, reflections concerning the democratization of the decision-making processes at the WTO are based on the premises that the capitalist globalization processes and their consequences are irreversible facts.

In summary the necessary global regulation of WTO should not be seen as naturally occurring phenomena. Rather, they exist because of the dominant economic mode and intimately connected with this, the political form of the nation-state. The present transformation of the system of national states cannot overcome or obscure the fact that they are the fundamental constituents of the dominant form of capitalist production and class relations. If this fact is not taken into consideration, plans for political regionalism and federalism remain naive and, in the worst sense of the word, idealistic.

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