

II SIX DECADES OF MULTILATERAL TRADE COOPERATION: WHAT HAVE WE LEARNT?

A INTRODUCTION

On 1 January 2008 the multilateral trading system will celebrate its sixtieth anniversary. The World Trade Report 2007 marks the occasion with a retrospective look at what has been learned from those six decades of international trade cooperation. It attempts to identify both what lessons are to be drawn from past experience and the nature of challenges to come. To address these issues, the report adopts an eclectic approach, drawing from the economic literature as well as from economic history, international relations or legal approaches. The objective of the report is to explore the lessons to be learned from the rich history of change and institutional adaptation of the multilateral system.

This is an ambitious undertaking, which is one of the reasons why the report does not pretend to be exhaustive. While the selection of topics, in particular in the fourth Section, reflects an attempt to cover the most important achievements of the multilateral trading system and the challenges the system faces, a number of core areas – particularly services and intellectual property – have clearly not received the attention they deserve. It should also be noted that this report takes a long term perspective on achievements and challenges to the system and does not attempt to analyse or debate the ongoing Doha negotiations.

The first major Section (Section B) begins with a brief historical review of international trade cooperation in the late 19th century and in the first half of the 20th century. The rest of this Section takes a step back from events to consider what the theoretical literature might teach us about why nations choose to cooperate with one another in trade matters. The review of the literature starts with a discussion of the economic theory of trade agreements. This is followed by an examination of international relations and legal approaches to cooperation. The question of how the theories analyse cooperation amongst diverse nations is treated separately. The review seeks to show that despite differences in their methodological approach, these different conceptual frameworks display some interesting features in common. They also bring a variety of different insights about what might drive cooperation.

Building on the rationale for trade cooperation, Section C is concerned with the question of how the gains from such cooperation can be secured and safeguarded. The Section starts with an analysis of why governments appear willing to cede authority to international institutions like the GATT/WTO and what role such institutions play with regard to trade cooperation. Again, both economic and non-economic approaches to formal institutions are taken into consideration. The Section then looks more closely at the mechanics and architecture of arrangements designed to promote and protect trade liberalization. Different subsections deal with reciprocity and non-discrimination, anti-circumvention and how to secure the gains from liberalization, the role of contingency provisions in addressing unanticipated situations, enforcement mechanisms and the function of dispute settlement, and how transparency and surveillance can serve to strengthen the basis for international cooperation.

While the previous two Sections analyse trade agreements in general without focusing specifically on the GATT/WTO, Section D examines the multilateral trading system of the GATT/WTO. This Section starts with an historical account of how the GATT emerged, developed and was eventually transformed into the WTO. This is followed by six subsections that examine a variety of issues of particular importance. Subsection 2 reassesses the magnitude of tariff reductions in the early years of the GATT for both developed and developing countries. Subsection 3 examines the development of the dispute settlement system. This is followed by a discussion of the development of the institution in the context of the continuing need to accommodate an expanding and increasingly diverse membership. The emphasis here is on special and differential treatment and the challenges of addressing developing country needs and interests within the system. Subsection 5 then looks at regionalism, both as a complement to multilateral cooperation and as a systemic challenge. The evolution of the decision-making process in the GATT and the WTO is the subject of subsection 6. Both internal processes for doing business and the involvement of external non-state actors are covered in the discussion. Finally subsection 7 explores how governments determine the content of the trade agenda under the WTO and considers the challenges of defining policy areas upon which governments choose to negotiate. Section H contains the conclusions, highlighting some of the challenges facing the multilateral trading system and noting a number of likely future challenges.