



Process Drivers in Trade Negotiations: The Role of Research in the Path to Grounding and Contextualizing*

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Introduction

Except for a small number of holdouts, virtually every country today is either already a member or seeking to accede to the World Trade Organization (WTO). Numbers make a difference but so does the intellectual landscape in which newcomers operate. Such mind-frames in trade relations have become so dominant that they are embedded invisibly as a “normal” way of doing business. Reproduced in a spiral of precedents, they can remain then largely unquestioned and taken for granted, playing a subtle background role in shaping and limiting the articulation of policy alternatives. As such ideas can serve to conceal the stratification of the global system into a core of rule makers and a broad band of heterogeneous rule takers. Institutions thus emerge embedding the preferences and interests of some constituencies better than others.

Since the Ministerial meeting in Cancun there are two particular developments that mark the participation of rule-taking-developing-countries in the WTO¹. First, they are all learning to participate more effectively through coalitions. Evidence of this can be found in the ever-growing numbers of such coalitions and their resilience. For instance, the WTO’s ministerial conference at Cancun in 2003 catalyzed the emergence of at least four new coalitions — the G20, the G33, the Core Group on Singapore Issues, and the Cotton Group — in addition to the activism of others that predated the ministerial, including the African, Caribbean, and Pacific Group, the Least Developed Countries Group, the Africa Group and the Like-Minded Group. Several of these remain active and continue to bargain collectively in the Doha round. Bargaining based on coalitions provides countries both weight and resources (including back up research) to balance the agenda. Second, the quality of their proposals has improved significantly in terms of range, depth and feasibility, which shows substantive research and familiarity with technical detail. Some participants present the production and exchange of research as core functions of the coalition itself. Research intensity has grown exponentially. No doubt, as contending players grow in strength and stature they are investing in the production of research to become technically empowered. After all, trade negotiations are about *who gets what and how*.

What is the nature of this trade-related research of growing relevance in rule-taking-developing-countries? Used as tools research can contribute to the definition of interests, identification of policy problems and preferred solutions, especially in their capacity to posit causal relationships. This LATN Brief aims to advance some analysis

¹ In this essay the term developing country includes the category of least developed countries as well.

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of how research is produced in the management of trade negotiations by the developing countries that have established themselves as relevant process drivers in the WTO.

The emergence of process drivers

Clearly the intensity of research has not emerged from thin air. The incorporation of the Single Undertaking – emerging out of the Uruguay Round – meant that all member countries were required to agree on, and abide by, an entire set of rules within the WTO. More flexible arrangements for joining and/or opting out of particular sub agreements within the overall package were all but eliminated. Lulled into a sense of security, all countries had to take “normal” responsibilities and accept diffuse degrees of reciprocal bargains. The passage represented a major turning point in the participation and representation of developing countries, clearly showing at the time a new willingness to take on full-fledged commitments, come out of the fringes and shed their mostly defensive 1980s position. Their strategic dilemma turned from expanding their rights to free themselves from prevailing rules to choosing an appropriate strategy of participation, focusing on what commitments to make and on how to micromanage a bloated trade agenda. The challenges of inclusion soon proved to be highly demanding. Developing countries learned that greater participation did not translate automatically into leverage, as they found it difficult to decisively influence the process of agenda setting or to shape the final outcome of negotiations.

The instatement of reciprocity had profound implications for developing countries. It added a previously absent domestic dimension. With the need to offer reciprocal concessions, every international negotiation has necessarily turned into a parallel domestic negotiation whereby the gains of one sector abroad require another sector to adjust to heightened import competition. Trade issues have acquired a salience in domestic politics that is without precedent in the postcolonial era. Single issue lobbies mean that the government must contemplate sacrificing one issue to gain in another in a bargain where economic and political calculus becomes mixed. Trade negotiations now occur in the classic two levels. The first level refers to the relation between authorities and the external partner. The second refers to the in-country negotiations with relevant actors, legislature, business, and trade unions in order to represent them abroad and ensure that results will be subsequently accepted and eventually ratified. All domestic stakeholders with an influence in the process or the final ratification are alert, and active, either on the offensive or the defensive. Hence the cycle of negotiations requires more interest-based, problem-solving, hands-on research, from inside the policy process. Decision makers will not always defer to the opinion of consultants ‘out there’ or trust broad-based knowledge as impartial, usable, or applicable.

To draw the point out just a little further, with the incorporation of the ‘new issues’ (services, intellectual property rights and investment measures),

trade negotiations shifted the policy focus from border barriers to domestic regulatory and legal systems. This introduced great complexity and technical sophistication to the negotiations, making knowledge a strategic and highly valuable asset. Laggards with limited access to this kind of technical information became invariably disadvantaged in comparison to industrial countries with resources to assist negotiators. The response to this ‘knowledge trap’ was a swing towards the generation of endogenous research. The ties of the trap have been softened since the Cancun ministerial meeting in 2003 when a number of issue-based coalitions emerged. It may be too early to conclude that the influence gained is enough to remedy the undemocratic practices in the WTO but for better or for worse, a new form of participation is evident. Two coalitions stand out in agriculture: the G-33 with defensive interests and the G-20 in which offensive interests predominate. The G-33 emerges from the bottom-up understanding among civil society actors – small-scale farmers, NGOs, academics – that economic liberalization has been negative for food security and rural communities. The G-20 is state-driven; it came together in reaction to US and EU proposals going into the Cancun ministerial.

The G-33 relies primarily on research produced by key member countries (e.g., India, Indonesia, Philippines); a multilateral institution, the Food and Agricultural Organization (FAO); and an inter-governmental institution, the South Centre and a handful of NGOs. Its work has primarily been to strategize on the content and timing of negotiating positions, tactics and public statements. On this basis a technical group builds their proposal, which is submitted to the periodical meetings of heads of delegation meeting. From there it goes to capitals for consideration. Heads of delegations then meet to assess reaction from capitals and approve the proposal by consensus.

On a day-to-day basis G-33 negotiators in Geneva have the ability to do some research and formulation of positions; but they require back-up in certain situations, when specific technical questions arise or to give them the confidence that their formulations are strong enough. At such crucial point the coalition may turn to outside institutions and researchers for help. For example, the International Centre for Trade and Sustainable Development (ICTSD) was asked to help the G-33 build the concept of special products and how to operationalize it through indicators. When the G-33 negotiators then set about to refine the indicators, reducing them down from 24 to 18 indicators, they sought assistance from other research institutions in Geneva to validate their thinking. When the World Bank added the pressure with a paper attempting to show that the application of special products would actually increase poverty in low-income countries, the coalition requested additional research input from the South Centre and ICTSD to assess the potential impact of special products on South-South trade.

Like the G33, the G20 also engages in the production of research without endowing itself with a

collective research capacity. Particular countries take the lead on specific issues, which are then incorporated as part of the G20 agenda. A *de facto* division of labor thus emerges as issues roll on. Research initiatives of the G20 have contributed to the substance of the negotiations on formula reduction, on special safeguards for agriculture, and product specific caps. As is evident from the WTO-parlance, this is not grand agenda-setting but one meant to contest the dominance of the EU and the US. To sustain counterproposals research began to matter. Each move begun with a criticism of given proposals, and went on to suggest alternative approaches. In terms of intra-coalition dynamics, the G20 certainly seems to have used available research to cement the group as well as to share the findings and resources of the group with other coalitions. Considerable effort is also expended in consulting with various domestic groups in each country. The process served an important function of legitimization – this time to the domestic audience. Research taken on by member countries (or the selected back up institutions within them) is not open-ended, but directed either towards elaborating the general mandate of the group, legitimizing it, or both.

These cases show ways in which research matters for coalitions and even the successes in getting demands onto the table. They also show how research is constrained politically: once governments have committed to a particular alliance, research is often directed by governments. However, even within this “direction”, research plays an important role in the shape of the proposals that are put forward, first by the government and subsequently by the coalition. Research might not be making a difference in the initial agenda-setting phase, but the nitty-gritty of negotiations would be impossible without it. The purpose of going into some detail in these illustrations is to show that none of these coalitions has endowed itself with research capacity as a group. Governments are the political masters and they follow their domestic logic of policy-, Research in contrast is a servant of policy-in-the-negotiating-mode.

The tune and the pitch: trade policy, trade negotiations

What is immediately striking is the difference between trade negotiations and trade policy. Most academics and practitioners would agree upon the benefits of multilateral trade liberalization (in contrast to theories of import-substituting industrialization that were prevalent some time ago). But a broad consensus at this level still leaves considerable room for the variety of bargains that can be struck; and which can have some very different distributive consequences given the capacity of producers to organize in order to determine the terms on which competition across borders (and, indeed, within them) will take place. Differences between countries emerge in this transition when the complex role of internal social and political structures and institutions is revealed.

As a country begins to play the tune and opens

negotiations, political influences of particular sectional and regional interests come into play, influencing the political potential of research insofar as it can provide ammunition for a particular sector (such as export agriculture) or social group (such as farmers). It is this dissonance between general principles and particular influences that often underlies the adoption of — as opposed to the acquiescence to — a policy proposal. In the process of adopting a general policy, considerable degrees of adaptation, translation, and integration take place; here the local community of practice comes into play. The interaction between accepted theories and internal agendas determines how research is played out through a complex and contested process of social decoding, feedback, and redefinition. Processes of adaptation are, however, conditioned not only by institutional structures but also by *politics*, and indeed a reaffirmation of the fundamental and intrinsic centrality of politics emerges as a forceful conclusion from our analysis. Liberalization becomes less an economic ideal and more a political balancing act between higher notions of the public good and the interests of specific constituencies; and even more a question of distribution than optimality. This implies normative choices about who should benefit and how as well as who should bear the burdens of adjustment. In this sense, the ‘free’ trade ideal and the ‘protectionist’ backwater are constructions at best made in heaven (or hell). Real preferences are pragmatic choices situated along a continuum where neither one ever reigns supreme.

Once taken into the world of negotiations we are called upon to navigate a sea of contending perspectives. Research - conducted by governments, directed and outsourced to think tanks or advanced by interest groups from the ground-level upwards – provides shape and substance to actual WTO bargaining. Further, research at this level is often driven by government for strategic (and far from neutral) purposes. In other words, trade negotiations require interest-based problem solving and hands-on research. Agenda setting, assessment, and the construction of counter-proposals involve continuous evaluations and filtering to suggest alternative modes of actions.

Research matters not simply in providing the substantive content of a country’s demands in a trade negotiation but also because it can serve as an important legitimizing device. A negotiator demanding a very high level of concessions from the opponent or refusing to make any concessions will be taken more seriously when backed up by detailed studies. There are thus two distinctive, and sometimes mutually exclusive, purposes to research: the first is to genuinely give shape to a country’s negotiating agenda, whereas the second is to somehow legitimize the agenda that has evolved as a result of several other, often political, forces. The distinction between these two purposes of research assumes special importance in the context of the Doha negotiations today.

This is so in a variety of senses, of which we might highlight one: negotiations require the construction of a ‘maximum aspiration’ position as

well as a reserve position, which will be the lowest acceptable outcome. A negotiating strategy includes a comparison of the potential advantages of a negotiated solution with alternatives available away from the negotiating table. The strategy of walking away should be based on sound analysis of the likelihood of securing a better or more acceptable outcome through negotiations. A negotiating party can develop the strength and availability of what is often called a BATNA (best alternative to a negotiated agreement) while conversely introducing evidence into the negotiating process that threatens the attractiveness of other negotiating parties' BATNAs. Clear analyses of BATNAs are important factors in a successful negotiating strategy because they allow for wise decisions on whether to accept a negotiated agreement. As such, BATNAs provide a standard that will prevent a party from accepting terms that are too unfavorable and from rejecting terms in which a party would be better off accepting. Furthermore, having a good BATNA increases a party's negotiating power and a well-prepared negotiating team will be able to gauge the desire of the other team for an agreement. This will allow for the most effective use of pressure and the most appropriate demands being placed upon the other negotiating team.

In the process of negotiation, analyses and integration of different proposals is required. Here a proposed 'package' is developed that involves each party making a concession in different topics to produce relative satisfaction to all parties. The gap between competing interests is breached when each side gives something to the other side and *vice versa*. This is possible through issue linkages; each party makes concedes in different topics so that the balance produces relative satisfaction. Parties must work to develop potential options for such issue linkages and need to have something to offer each other. Negotiators can enlarge the space of agreement by identifying and discussing a range of alternatives, by improving the quality and quantity of information available to the other parties, and by trying to influence their perception. Much of trade negotiation involves such integrative bargaining because parties can enlarge the area where their interests overlap by identifying and discussing a range of alternative options and opinions. The purpose of research cannot be understood narrowly as self-serving because the most important function is to justify and explain demands of one group to other groups. Tainted by special interests, it must reach out to others. For most individuals the link between the degree of market openness and their economic well-being is opaque. Except for the rare occasions when free trade policy becomes heavily politicized

(e.g. NAFTA), for this majority free trade is a gamble that only those with enough economic resources, or those offered social compensation outright, can take, rather than those objectively benefiting from it, as the literature predicts.

Facing the demands of complex and perennially moving agendas, negotiators seek research-based support that is usable for a specific place and space of time. Governments may therefore need the capacity not only to produce their own research but also to critically examine what is produced by authoritative centers, such as the World Bank and other multilateral organizations, which may have been shaped by perspectives that do not reflect their needs or priorities. As demands for such context-specific research arise, networks of communities of specialists capable of producing and providing it emerge and proliferate. Research produced by outsiders/insiders plugged into the machinery as compared to research produced outside is based on quite different forms of problem conceptualization. The ways in which research is used in the policy process also differs substantially. The chances of directly influencing the policy regime are greater, but the chances of mutual enlightenment drip by drip are also high. Thus the generation of research advances in a dialogic and evolutionary process that manifests itself in the interpersonal and inter-institutional exchanges of the policy community.

The overarching challenge for process drivers does not lie in making a compelling case for an *anti-monde* or that economic analyses and expectations of great benefits to come bear little fruit. The overarching challenge is to make incremental changes in power positions building new alliances; to provide structure and principles to handle such changes and to allow for transitions that might otherwise prove unmanageable or too costly to face. The more important point, however, is that for the most part it has been the *tecnicos* that have held centre-stage, either hired experts and consultants or professional policy-makers working for national governments. By definition, *tecnicos* work within the established political parameters of an era. They produce commissioned research to support a particular cause in increasingly contested settings — research not as independent truth, but as instrumental and supportive to policy decisions taken on other grounds. *Tecnicos* strive for a compromise between the concerns of policy space and the technical power of institutionalized ideas; without the aspiration of delivering a new paradigm, they are smart, alert and industrious. In the real world of negotiations this type of research was a door that needed opening; it was not a leap across boundaries to a new development paradigm but it has managed inroads into the processes of global governance.

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