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# BARGAINING TOGETHER IN CANCUN: DEVELOPING COUNTRIES AND THEIR EVOLVING COALITIONS

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## BARGAINING TOGETHER IN CANCUN: DEVELOPING COUNTRIES AND THEIR EVOLVING COALITIONS

### ABSTRACT

In large measure, the voice that developing countries were able to exercise in Cancun was a result of their effective coalition formation. In this paper we present a brief overview of the various coalitions that played an important role at Cancun. The greater part of this paper focuses on one among these various coalitions: the G22 on agriculture. The G22 presents an especially fascinating case of a coalition that combined a great diversity of members and apparently incompatible interests. All theoretical reasoning and historical precedent predicted that the group would collapse in the endgame. And yet the group survived. We investigate the sources of the unity of this group and trace them to a process of learning that allowed the group to acquire certain structural features and develop strategies that helped to cement it further. While our central dependent variable is the cohesion of the G22, we also address the derivative question of the costs and benefits of maintaining such coalitions. The Cancun coalitions give us an excellent case of coalitions that managed to retain their cohesion, but also ended up with a situation of no agreement rather than a fulfillment of even some of their demands. We examine some of the causes behind the impasse in the negotiation process and propose alternative negotiating strategies that the G22 could have used to improve the outcome.

**KEY WORDS:** coalitions, developing countries, negotiating strategies, learning, WTO, Cancun Ministerial.

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Reactions to the collapse at Cancun as well as targets in the blame game have been mixed. But irrespective of these differences, most observers agree that the role that developing countries played at Cancun was unfamiliar and innovative. In good measure, the voice that developing countries were able to exercise in Cancun was a result of their effective coalition formation. Not only did developing countries use these coalitions for an exchange of information and discussion, but they were able to adhere to their joint positions in the endgame. Further, despite the differences in the agenda of different coalitions, a successful

effort was made to coordinate their positions so that they did not enter into direct conflict with each other. Particularly against the backdrop of some of the problems that developing countries have historically encountered in the World Trade Organization (WTO) and its predecessor institution, the General Agreement on Tariffs and Trade (GATT), these are no mean achievements.

In this paper, we address the question: How did developing country coalitions at Cancun manage to preserve such high levels of cohesion, when many other such coalitions in the past had failed? We argue that the answer lies in some of the structural features of the coalitions. But many of these structural characteristics derive from the previous experience of developing countries with coalitions as well as the negotiation process, and suggest a process of social learning. Empirically, while we devote some attention to the interplay between coalitions, our main focus in this paper is the so-called G22 on agriculture. In Section 1, we present a map of the various coalitions that were in operation at Cancun. We further explain our reasons for focusing on the G22 and present a brief account of its formation, membership and agenda. In section 2, we discuss some of the theoretical writings on the subject of bargaining coalitions to illustrate the problems of coalition formation and maintenance. In section 3, we draw upon the historical record of coalitions in the GATT & WTO, to suggest that the G22 is a product of almost two decades of learning by developing countries. On the basis of our theoretical and historical analysis, we are able to highlight certain features of the G22 that facilitated intra-group cohesion, as well as the impact of external conditions, in section 4. While our central dependent variable is the cohesion of these coalitions, we also address the derivative question of the costs and benefits of maintaining such coalitions. The Cancun coalitions give us an excellent case of coalitions

that managed to retain their cohesion, but also ended up with a situation of no agreement rather than a fulfillment of even some of their demands. As such, even though the efforts of the G22 and other coalitions were unprecedented and commendable in preserving the unity of the coalition until the very end of the conference, we cannot deem these coalitions as outright successes. In the fifth and concluding section, we discuss alternative negotiating strategies that the G22 and its cousins could have used, which may have helped in overcoming the impasse that was reached at Cancun.

### 1. Coalitions at Cancun

In the preparatory process leading up to the Cancun Ministerial, developing countries engaged in several joint initiatives that involved an exchange of information as well as the formulation of joint proposals. Many of these already had a history in the preparations for the Doha Ministerial in 2001, if not earlier. Examples of these included the African Group, the African Caribbean Pacific (ACP) Group, the Group of Least Developed Countries (LDC), the Small and Vulnerable Economies (SVE), and the Like Minded Group (LMG).

None of these coalitions were issue-specific; rather, they were blocs that adapted their agenda according to the pressing needs of the day.<sup>1</sup> However, if we were to seek some of the key issues that these groups have been associated with, the first four of these groups have had at least some overlapping membership and have shared some similar concerns about Special and Differential treatment (S&D) and the erosion of preferences as a result of

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<sup>1</sup> For more on the typology of coalitions and an empirical analysis of coalitions until the Doha Ministerial, Narlikar (2003). Note that there were several issue-specific coalitions also in play in the run-up to Cancun, including some that continued from Doha, e.g. on Geographical Indications and Mode 4. But towards the endgame, partly as a result of the way the conference had evolved, the major coalition players from the developing world seem to have been the LDC, ACP, African Group, SVE, LMG, Core Group, the coalition on cotton, the alliance on Strategic Products & Special Safeguard Mechanism and the G22.

liberalization. The LMG, which came to comprise 14 countries by the time of the Doha Ministerial, pushed for the so-called “implementation issues”, development issues, and systemic reform, and opposed the inclusion of the Singapore issues.<sup>2</sup>

All these coalitions had had varying degrees of success in getting their issues onto the Doha Development Agenda. The ACP had managed to get an extension of the WTO waiver for trade preferences from the EU under the Cotonou Agreement. This counted as a success for the African Group as well, although the agenda of the group had also covered several other issue-areas. Paragraphs 42 and 43 of the main Doha Declaration, even though comprising largely promises and good intentions, are devoted exclusively to the concerns of the LDCs. Paragraph 35 recognized the concerns of the SVEs. References to S&D are dotted throughout the text and appear specifically in Paragraph 42. And as per the agenda of the LMG, promises to address their implementation concerns appear in Paragraph 12 of the main Declaration and are discussed in detail in the “Decision on Implementation-Related Issues and Concerns.”

Having managed to get at least some of their concerns onto the Doha Development Agenda, these five coalitions continued to meet in the two years between Doha and Cancun to ensure that the promises of the Doha Development Agenda would be kept in the new round. But as the Cancun Ministerial approached, many developing countries became aware that some of their key concerns risked being sidelined, especially in the possible event of the US and the EU colluding on several issues, especially agriculture. In a series of interviews

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<sup>2</sup> Narlikar and Odell (2003). The Singapore issues refer to competition policy, government procurement, trade facilitation and investment. The LMG comprises Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe, with Jamaica and Mauritius as observers.

that we conducted with delegates from developing countries in May 2003, several of our interviewees repeatedly expressed the fear of the EU and the US “pulling another Blair House Accord on us.”<sup>3</sup> As a result, in the summer leading up to Cancun, several new coalitions swung into action. Among these were the Core Group of developing countries resisting the Singapore issues, the coalition on cotton, the coalition on Strategic Products and Special Safeguard Mechanism, and the G22 on agriculture.

The Core Group of developing countries initially comprised 16 members: Bangladesh, Cuba, Egypt, India, Indonesia, Kenya, Malaysia, Nigeria, Pakistan, Venezuela, Zambia and Zimbabwe. In response to a paper by the EU which had assumed that the negotiation on Singapore issues would commence after Cancun, the Core group submitted a joint statement in July. The text stated that “Explicit consensus on the modalities is required for negotiations to commence not consensus on how to classify and group the different procedural and structural aspects of the Singapore issues.”<sup>4</sup> The group also proposed that the four Singapore issues should not be grouped into a single basket. It further cited the fact that the African Group and the LDC group had adopted positions similar to the Core Group’s in meetings at Dhaka and Grand Baie respectively. Members of the group continued to work jointly in Cancun, and attracted many new recruits. A letter by the group addressed to Minister Pierre Pettigrew, Facilitator for the Singapore issues at Cancun, dated 12 September 2003, had 29 signatories (with Bangladesh signing on behalf of the LDCs).<sup>5</sup> On the final day of the conference, the African group, and LDC and ACP groups (and members of the SVE which

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<sup>3</sup> Interviews with representatives of developing countries to the WTO, May 2003.

<sup>4</sup> Comments on the EC Communication (WT/GC/W/491) on the Modalities for the Singapore Issues, WT/GC/W/501, 8 July 2003; original emphasis retained in the quote.

<sup>5</sup> Available at [http://www.ictsd.org/ministerial/cancun/documents\\_and\\_links.htm](http://www.ictsd.org/ministerial/cancun/documents_and_links.htm).

also belonged to at least one of these three coalitions), working together, took a similar position. On the final day of the Cancun conference, the Singapore issues emerged as the real deal-breaker. Botswana, speaking on behalf of the AU, announced that they could not agree to any deal that included even one of the Singapore issues. South Korea retaliated by stating that it could not accept a deal without all four Singapore issues. Hence, even though countries had shown major differences over different issues throughout the conference, the intractability of the Singapore issues provided the immediate cause for the Chairman of the Conference, Luis Ernesto Derbez, to finally throw in the towel.

Another coalition that came into play in the run-up to the Cancun Ministerial was the group of four West and Central African countries (Mali, Benin, Chad and Burkina Faso) that proposed a complete phase-out of subsidies on cotton and financial compensation for the LDCs until the subsidies were phased out.<sup>6</sup> Also in the run-up to Cancun was the Alliance on Strategic Products (SP) and Special Safeguard Mechanism (SSM). Reports about coalition activity among 16 countries over this proposal go back to at least late July.<sup>7</sup> At the beginning of the conference, the coalition comprised 23 members including Barbados, Dominican Republic, Honduras, Indonesia, Jamaica, Kenya, Mongolia, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Trinidad & Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe, Tanzania and Ecuador. The group, particularly under the leadership of Indonesia and Philippines, proposed that developing countries be allowed to self-designate certain strategic products that would not be subject to tariff reductions or new commitments. A special safeguard mechanism would be established to protect the domestic markets of

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<sup>6</sup> TN/AG/GEN/4, Poverty Reduction: Sectoral Initiative in Favor of Cotton, 16 May 2003.

<sup>7</sup> Bridges Weekly Trade News Digest, Vol. 7, No. 27, 28 July 2003, available at [www.ictsd.org/weekly/03-07-28/story4.htm](http://www.ictsd.org/weekly/03-07-28/story4.htm).

developing countries against import surges. By 13 September, this coalition had expanded to 33 members.<sup>8</sup> Both the coalitions on cotton and on SP/SSM were a response of developing countries to the fact that developed countries had, so far, shown few signs of improving market access while S&D provisions were proving highly inadequate. Developing countries would have to act in concert to somehow get these issues onto the negotiating table, often with the help of original and creative proposals.

The fourth coalition that emerged in the process leading up to Cancun was the G22. The origins of this coalition can be traced to the Brasilia Declaration signed between Brazil, India and South Africa in June 2003.<sup>9</sup> The coalition materialized as such in response to the EU-US text on agriculture (even though cooperation among some of the G22 has precedents in the both trade and other issues). Until the EU-US text came out on August 13, according to one member, Cairns Group members had hoped that the US would support their position.<sup>10</sup> Similarly, countries with a more defensive interest in agriculture had hoped that the EU would back their positions. Developing countries from both sets of interests came together when they realized that the EU and the US had joined forces and come up with a text that was highly unsatisfactory. Explaining the rationale behind the coalition, Minister Amorim of Brazil who was also coordinator for the G22 wrote:

“The real dilemma that many of us had to face was whether it was sensible to accept an agreement that would essentially consolidate the policies of the two subsidizing superpowers

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<sup>8</sup> Bridges Daily Update, ICTSD, 13 September 2003, Issue 4.

<sup>9</sup> [www.southasiamonitor.org/diplomacy/2003/sep/26dip7.html](http://www.southasiamonitor.org/diplomacy/2003/sep/26dip7.html)

<sup>10</sup> The Cairns Group comprises Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

– with very modest gains and even some steps backward (the new broader definition of ‘blue box’ subsidies to accommodate the US for instance) -- and then have to wait for another 15 or 18 years to launch a new round, after having spent precious bargaining chips.”<sup>11</sup>

Brazil and India drafted the first text together, and then collaborated with other countries who also became members of the group. With China aboard, the group became one that combined (arguably) all the emerging powers from the developing world. The alternative framework proposal put forth by the group, dated 2 September, was signed by 20 countries: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela. With the addition of Egypt and Kenya, the group acquired the name of the G22.

The coalition went beyond being a simple blocking coalition, but one with a proactive and positive agenda. It proposed more radical cuts on domestic support measures provided by developed countries (than the EU-US draft had proposed), including a capping or a reduction on domestic support measures used by the developed countries in the Green Box. On market access, the coalition proposed a blended formula under which “each element will contribute to substantial improvement in market access for all products, in an effective and measurable way.”<sup>12</sup> Here too, it sought greater commitment from developed countries, e.g. “All developed countries shall provide duty-free access to all tropical products and others mentioned in the Preamble of the Agreement on Agriculture as well as to other agricultural products representing at least []% of imports from developing countries.”<sup>13</sup> It called for the

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<sup>11</sup> Wall Street Journal, 25 September 2003.

<sup>12</sup> Paragraph 2.1, WT/MIN(03)/W/6.

<sup>13</sup> Paragraph 2.5, Ibid.

discontinuation of the Special Agricultural Safeguard for developed countries and supported the establishment of a special safeguard mechanism for developing countries. On export subsidies, the G22 proposed the elimination “over a [x] year period” of export subsidies for the products of particular interest to developing countries, and further that “Members shall commit to eliminate over a [y] year period export subsidies for the remaining products.”<sup>14</sup> References to S&D appeared in all three areas of domestic support, market access and export subsidies. Even though all the proposals on agriculture were framework proposals at this stage (rather than tabling exact figures), the G22 framework required the developed countries to commit to significantly higher levels of liberalization than the EU-US proposal had envisaged.

All the coalitions discussed so far played important roles independently in different phases of the Cancun process. Just as important was the role that they played together. A careful effort was made to maintain coordination between groups, and at least prevent outright opposition when support for the other’s position was not possible. Hence, for instance, members of the G22 expressed support for the Alliance on SP and SSM. Consultation and coordination between the ACP, LDC, African Group, the G22 and the Alliance on SP and SSM continued into the penultimate day of the conference when the Chair produced a second draft. The African Group, LDC and ACP groups similarly coordinated their positions to become the G90 on the final day of the conference. Among all the cases discussed so far, however, the G22 in particular demands attention.

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<sup>14</sup> Paragraph 3.1, Ibid.

The G22 was a new actor in the negotiations. Its appearance was momentous, especially as it was the first coalition in which China played a leading and committed role since it became a member of the WTO. In its resistance against the EU and the US, it captured a great deal of public attention. It presented a new exemplar of the proactive diplomacy of the emerging powers, especially with Brazil, China and India at its helm. The coalition constituted a major weight in economic terms, especially as it contained 69% of the world's farmers. As such, it presented a credible threat to block consensus. It also possessed some moral weight, which it exercised to its great credit, by emphasizing that it represented the interests of over half of the world's population. Unlike some of the older coalitions involving developing countries, the G22 did not have a blocking agenda but a proactive one, which was typified in its technically substantive proposal. Irrespective of the final machinations on the last day when the Singapore issues emerged as the deal-breaker, agriculture had in fact been the *bête noir* through most of the conference. To use a counterfactual, even if the Singapore issues had been resolved on the last day, consensus would still have been unlikely due to the G22's dissatisfaction with the various drafts that still made minimal commitments on agriculture. Here was a coalition that was capable of making a difference, through the logic of its argument but also the sheer strength of its weight.

For analysts of coalitions and trade negotiations, the G22 presents a fascinating puzzle. The G22 is important to us, not simply because it comprised such a major mass of the developing world, but because it brought together some extremely unlikely candidates. The biggest potential fault-line within the group was between the Cairns Group exporters and the defensive food importers. It combined some of the largest and most powerful members of the developing world with some of the smallest. Observers and several of our

interviewees (from international organizations and non-member countries) repeatedly predicted the likely collapse of the group, particularly in the endgame when the Quad would wield bilateral carrots and sticks on the group. The LMG at Doha had already lived through such a fate of fragmentation in the endgame;<sup>15</sup> the G22 potentially had even more serious sources of fracture. And yet, the group survived.

## 2. Problems of Coalition Formation and Maintenance: The Theory

While theoretical writings on the subject of inter-state bargaining coalitions are few, a diverse body of literature (including negotiation analysis, theories of International Relations and International Political Economy) points to two central problems that coalitions of developing countries encounter: minimal external weight and the risk of fragmentation.<sup>16</sup> The first problem is an inevitable result of the smaller shares of developing countries in the world economy. The vulnerability of a coalition to the second problem depends on several factors including the structure of the coalition, the interests that coalesce, its negotiating strategy, and the response it generates from other parties.

Coalitions unable to overcome the first problem risk marginalization in the endgame, partly because they may find it harder to block consensus in the face of pressure from their more powerful counterparts.<sup>17</sup> But this structural constraint can be overcome in several ways. First, the coalition can be re-constituted so that it includes some larger economies, e.g. the Cairns Group in the Uruguay Round.<sup>18</sup> Second, the coalition of small and weak countries

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<sup>15</sup> Narlikar and Odell (2003).

<sup>16</sup> Hamilton and Whalley (1989), Kahler and Odell (1989), Narlikar and Odell (2003), Tussie and Glover (1995), Narlikar (2003).

<sup>17</sup> Theories of coalitions at the domestic level raise the issue of size in some depth, e.g. Riker (1962), Gamson (1964), Hinckley (1979), Frohlich et al (1971). Some theories of IPE also focus on the coalition size and the bearing that domestic institutions have on facilitating mass movements (e.g. Alt et al, 1996).

<sup>18</sup> Tussie (1995), Higgot and Cooper (1990).

can improve its bargaining strength by relying on larger numbers. Large numbers may help enhance the collective market size of the coalition and also the legitimacy of its agenda. But most important, in the endgame, countries find it easier to refuse a sub-optimal deal if they are not isolated in their resistance. When the ACP, LDC and African Group came together in the endgame at Cancun to constitute the G90, they illustrated an effective use of this strategy. Third, even if coalitions comprise some of the weakest countries, they can still exercise a powerful influence in the negotiations by conducting detailed research on the subject and thereby finding a niche in the negotiation. Most of the recent coalitions involving developing countries, e.g. at Doha and Cancun, have in fact involved considerable commitment to research and information-sharing.

The second problem that coalitions encounter, the risk of fragmentation, has several causes. Irrespective of the causes, however, the effect of fragmentation is the same. As soon as it becomes evident that one country is defecting from a coalition, the fear of other members of being isolated in the endgame increases. A dominoes effect ensues.<sup>19</sup>

While all coalitions risk fragmentation, some are more prone to it than others. Coalitions of the weak, by definition, run this risk because the ability of developing countries to withstand pressure is lower than that of developed countries.<sup>20</sup> Coalitions that combine differing priorities of member countries, by their very structure, are easier to fragment, especially if selectively targeted, bilateral carrots and sticks are used against some members to prompt

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<sup>19</sup> Narlikar and Odell (2003). On a typology of negotiating strategies and constituent tactics, see Odell (2000).

<sup>20</sup> Developing on Rousseau's idea of the 'Stag Hunt', Robert Jervis (1978) wrote "If the failure to eat that day – be it venison or rabbit – means that he will starve, a person is likely to defect in the Stag Hunt even if he really likes venison and has a high level of trust in his colleagues. (Defection is especially likely if the others are also starving or they know that he is.)" Coalitions of the weak run a similar risk.

defection. As a result, bloc-type coalitions that address a diversity of issues are vulnerable to this risk. Such coalitions are often maintained through logrolling of a wide variety of interests, and prove friable when outsiders offer to address the particular priorities of certain members either bilaterally or in other groups. The G-10 in the Uruguay Round typified these problems (to be discussed in the next section).<sup>21</sup>

The susceptibility to fragmentation also depends on the type of negotiating strategy that the coalition uses. Coalitions of developing countries that use a distributive strategy, i.e. claim value from the other side and offer no concessions in return throughout the negotiating process, tend to attract divide-and-rule tactics from the opposing parties. Rather than give in to the high demands placed by the coalition, the opposing parties choose the cheaper alternative of offering bilateral deals to the members of the coalition. Should some members accept these deals, a dominoes effect is like to ensue leading to the collapse of the coalition. This undermines the credibility of the coalition and results in sub-optimal gains or even losses for the isolated members who continue to adhere to that collective position in the endgame.<sup>22</sup> Especially if the coalition has a strong leadership (e.g. India in the case of the LMG), and if bilateral deals improve in the face of a collective distributive strategy, the coalition will come under even greater risk of fragmentation due to free-riding. Smaller members would be tempted to defect, especially if the leaders are likely to carry the flag of the coalition anyway.

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<sup>21</sup> Kumar (1995), Narlikar (2003).

<sup>22</sup> Of course if the coalition is able to withstand these pressures and makes a credible threat to block, then the results are either very high gains or no agreement (we saw the latter result at Cancun). On the use of the distributive negotiating strategies, see Narlikar and Odell (2003).

Assuming that the use of a distributive strategy increases the risks of defection by members in favor of bilateral deals, the obvious solution would seem to be the use of a mixed strategy. So for instance, the coalition could start out by making high demands, but could then display some flexibility in the later stages of the negotiation by engaging in some reciprocal exchange and value creation. But here, the problem of coalition structure kicks in again. Writing specifically about issue-specific coalitions, Hamilton and Whalley argue, “And since countries typically wish to balance their positions cross all the issues that are of interest to them, they need to reserve some degree of flexibility to allow for changes in position on various issues as part of the negotiating processes. Such changes may well be inconsistent with agreements that countries have entered into in order to join the coalition. These coalitions are, therefore, very difficult to maintain. They tend to be more resilient where the issue at stake is of major importance to all the members of the coalition (such as agriculture for most of the Cairns Group members). In fact, the same argument can be made about bloc-type coalitions that cover different issue-areas. It becomes almost impossible for the coalition to show any flexibility on any of its demands, because every issue on its logrolled agenda is of importance to at least one of its members.<sup>23</sup> Due to scarcity of resources, some delegates and officials from international organizations pointed out to us in interviews that it is difficult enough for developing countries to arrive at one common position, let alone a joint fallback position.

Except from the problem of minimal economic weight, the G22 potentially suffered from all the problems outlined in the previous paragraphs. First, it combined a vast mix of developing countries, including small countries whose susceptibility to bilateral arm-twisting

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<sup>23</sup> Narlikar and Odell (2003).

was high and the ability to hold out against such pressures low. Second, even while focusing on the issue-area of agriculture, it brought together countries with divergent positions on the issue of agricultural liberalization vs. protectionism, let alone differing preference hierarchies in relation to other issues. Third, it used a strictly distributive strategy. It demanded concessions from the Quad and offered very little in return. All these features suggest a vulnerability of the group to a very high risk of fragmentation. The fact that the coalition stood united through Cancun, and continues to meet to the present day, demands explanation.

### **3. The Practice of Coalition-Building: Social Learning?**

The G22 survives in the face of theoretical insights to the contrary, and in spite of a history of coalitions of developing countries that have collapsed. A large part of the explanation for this survival lies in the fact that the G22 builds on at least two decades of coalition formations behind it. From the experiments with different coalition types, developing countries have now evolved a new coalition type.

Coalitions, over the past two decades, may be classified into two types: bloc-type coalitions and issue-based alliances. The two may be seen as representing the opposite ends of a spectrum. There are two key differences between the bloc-type coalitions and issue-based alliances. First, the former come together against a backdrop of ideational and identity-related factors, whereas the latter are formed for instrumental reasons. Second, the bloc-type coalitions combine like minded states and try to adopt collective positions across issue areas and over time; in contrast, issue-based coalitions are directed towards specific threats and

dissipate after the particular issue has been addressed.<sup>24</sup> While bloc-type coalitions dominated Third World diplomacy until the early 1980s, issue-based coalitions came into vogue in the Uruguay Round (partly as a reaction to the failures of bloc-type diplomacy). The coalitions of today including the G22, having learnt from the failings of their predecessors, utilize some elements of both the bloc-type coalitions and issue-based alliances.

The dialectical process of learning among coalitions may be traced back to the pre-negotiation phase of the Uruguay Round. The attempt by the Quad, particularly the US, to bring services within the purview of the GATT catalyzed the emergence of a hard-line coalition of resistance, the G10.<sup>25</sup> The G10 had its roots in the Informal Group of Developing Countries. It took the position that it would block the launch of a new round until the older issues of standstill and rollback were attended to, and would further oppose the introduction of services into the GATT. Simultaneously, a new initiative began among developing countries to discuss the meaning and implications of including services in the mandate of the GATT. With Colombia's ambassador, Felipe Jaramillo chairing the meetings, the initiative was sometimes referred to as the Jaramillo process. Initially, the G10 attended these meetings, but the two groups soon went their separate ways. Eventually, the G10 came up with its own draft (which had no mention of services), and refused to even consult with the other developing countries that were participants in the Jaramillo process by claiming that their draft reflected just the views of the signatories and hence did not require consultation with anyone else. In response to this, members of the Jaramillo process came

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<sup>24</sup> Narlikar (2003).

<sup>25</sup> The G10 in its hard line version comprised Argentina, Brazil, Cuba, Egypt, India, Nigeria, Nicaragua, Tanzania, Peru and the former Yugoslavia.

together as the G20.<sup>26</sup> This group further combined with the developed countries of the G9 and came to constitute the Café au Lait coalition (so-called as it was led by Colombia and Switzerland).<sup>27</sup> The draft of the Café au Lait coalition provided the basis for the Punta del Este Declaration that launched the Uruguay Round.<sup>28</sup>

The success of the Café au Lait coalition stood out against the very modest achievements of the G10. In large measure, the successes of the Café au Lait coalition lay in the simplicity of its issue-based structure that contrasted with the log-rolling that underlay the agenda of traditional bloc-type groupings including the G10. As the members of the Café au Lait shared a common interest over a single issue, the group enjoyed greater flexibility of positions and could engage with value-creating strategies rather than strictly distributive ones. Particularly in the Jaramillo process, the group had showed considerable commitment to research and information-sharing rather than grand posturing or ideology, and thereby came to enjoy considerable legitimacy. Further, the Café au Lait coalition was unprecedented in overcoming the North-South divide. While the Café au Lait opened up the path of issue-based diplomacy that combined developed and developing countries, the Cairns Group of agricultural exporting nations took it even further.<sup>29</sup> Here was an issue-based coalition, acting as a mediator between the EU and the US, whose position was based on research and

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<sup>26</sup> The members of the G20 were Bangladesh, Chile, Colombia, Hong Kong, Indonesia, Ivory Coast, Jamaica, Malaysia, Mexico, Pakistan, Philippines, Romania, Singapore, Sri Lanka, South Korea, Thailand, Turkey, Uruguay, Zambia and Zaire.

<sup>27</sup> The G9 included Australia, Austria, Canada, Finland, Iceland, New Zealand, Norway, Sweden and Switzerland.

<sup>28</sup> Tussie and Lengyel (2002) on Café au Lait diplomacy, Narlikar (2003) for detailed case studies of some coalitions in the Uruguay Round, including the G10, the G20, and the Cairns Group.

<sup>29</sup> Higgott and Cooper (1990), Tussie (1995).

analysis rather than rhetorical demands. And the very fact that agriculture was finally within the GATT rules was seen as evidence of the success of the issue-based coalition as a genre.<sup>30</sup>

The reaction of developing countries to these apparent successes of issue-based diplomacy was extreme. In the light of the Café au Lait and Cairns Group experiences, the old bloc-style diplomacy of the G10 stood discredited. Learning from these experiences, recalculating their odds, and modifying their behavior accordingly,<sup>31</sup> developing countries swung from vesting their faith in the bloc-type alliances to the “shifting coalitions” which focused on particular issues and combined developed and developing countries.<sup>32</sup> But the euphoria with these new types of alliances as the panacea for the bargaining problems of developing countries proved to be short-lived.

The few issue-based alliances that enjoyed greater visibility and sustainability were a product of some irreproducible circumstances. The Cairns Group, for instance, enjoyed the support of the US that few other coalitions have been able to attract. Most experiments with issue-based diplomacy displayed short lives and minimal influence. Sometimes countries would join different issue-based coalitions, leading to an unsustainable mix of cross-cutting and often contradictory loyalties. At other times, countries would simply defect to other issue-specific alliances. For instance, country X would soon defect from Coalition A to Coalition B, especially if issue B was of greater importance for country X and had been recently

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<sup>30</sup> On a sceptical analysis of the actual victories and influence of the Cairns Group, see Narlikar (2003).

<sup>31</sup> Our account of learning fits in with the rationalist research agenda; for an analysis of different approaches, see Checkel (2001).

<sup>32</sup> Tussie (2003).

introduced for negotiation. The possibility of this happening further reduced the credibility of these coalitions and, in turn, jeopardized the effectiveness of these coalitions further.

Many of the coalitions of Doha and Cancun were a reaction to these pendulum swings. Memory of the failures of the old bloc-style diplomacy has persisted, and hence most delegates are quick to claim publicly that their coalitions are based not on identity or ideology but interests in particular issues. However, closer investigation reveals that many of these coalitions have also re-incorporated the key features of blocs. They are often limited to the developing world, outlive the issue of focus, frequently come to operate across issues, and are bound by a collective idea that the developing world shares several problems and needs to address them collectively. These “smart” coalitions hence combine elements of both issue-based alliances and bloc-type coalitions. Akin to the issue-based coalitions, they stress the importance of research in facilitating negotiations in the area under discussion. And like their issue-based predecessors, with whom they claim such close affinity, they may focus on one central issue even while addressing broader issues. By incorporating elements of the old bloc-style diplomacy and appealing to the shared weaknesses of developing countries (or some other such principle), they are able to acquire a longevity that the short-term “shifting coalitions” of earlier days never enjoyed. These coalitions have also adopted some of the research-oriented strategies of the issue-based coalitions. The resulting openness to other coalitions rather than an us vs. them antagonism, and logrolling that is not completely random but relatively more focused on a smaller set of issues (partly as a result of the research), makes these coalitions considerably more evolved than their bloc-type grandparents. Underlying these coalitions is the sense that while developing countries may have differing interests and need to do their homework to be effective in trade negotiations,

the Uruguay Round has somehow shortchanged them as a group. To correct some of the past imbalances and to prevent new ones from recurring, even when they focus on particular issue-areas, they will need to retain their bloc-type identities and also friendly relations among different blocs. The G22 epitomizes these smart coalitions of the third generation.

#### **4. Features of the G22: Explaining Intra-Group Cohesion**

It is noteworthy that even midway through the Cancun conference, delegates from developed countries and some international organizations indicated to us that they believed that the G22 was unlikely to survive in the endgame. In fact, they predicted, what would happen would be more along the lines of what happened at Doha: the group would cohere until the penultimate day of the conference at best. But it would then break along the natural fault-lines of exporters vs. importers, plus new lines of dissent that would emerge as a result of bilateral carrots and sticks that the Quad would wield against some members.<sup>33</sup> The fact that this did not happen can be attributed at least partly to the structure of the group and the strategies that it employed.

Perhaps the greatest strength of the G22 lay in its structure. As far as the EU and the US were concerned, it would be very difficult for them to ignore a coalition that constituted over two-thirds of the world's population, comprised over 60% of the world's farmers, and was led by a powerful core of emerging powers (particularly Argentina, Brazil, China, India and South Africa). But recall that the G10 of the Uruguay Round had also comprised a core group of emerging powers, and had still collapsed. The reason why the G22 was able to preserve its cohesion when other coalitions had failed lay in its strategies.

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<sup>33</sup> Such views seemed to persist until at least as late as 12 September.

Key to the coherence of the G22 was the behavior of its core, and particularly Brazil, China and India. As per the dominoes effect that was described earlier, as long as the core group held together (particularly Brazil, China and India), it was highly likely that the coalition would endure. On the other hand, had the Big Three given any indications of differences among themselves, they would have prompted a chain of defections by the smaller countries that could not risk commitment to a potentially divided coalition. We heard accounts of at least some of the smaller members of the G22 being subject to considerable pressure at Cancun.<sup>34</sup> For instance, the US is reported to have offered carrots in the form of tariff quotas to some of the Central American countries and sticks that included the threat of slowing down regional integration. But the G22 held together firmly at Cancun, especially as the core of the group showed no sign of breaking.

The reason why the leading members of the group were able to hold together was not simply a matter of obvious common interests. There was an equally high possibility that rather than hold together, the group would collapse along its natural fault-lines of the Cairns Group members and their more protectionist counterparts, the supporters of the Swiss formula approach for agricultural liberalization vs. the supporters of the Uruguay Round formula approach.<sup>35</sup> India, with its population of about 650 million farmers with small holdings had a defensive interest on the issue of market access, whereas countries like Brazil and Argentina had a strong, offensive interest. But a compromise was arrived at preempting these potential rivalries, and the G22 proposed a blended formula on market access. The

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<sup>34</sup> Interviews, Cancun, 9-14 September 2003.

<sup>35</sup> For a full explanation of the formulae and their implications, see [www.wto.org](http://www.wto.org).

S&D clauses on market access in the proposal, incorporating the concerns of countries with more protectionist interests, further stated that “there will be no commitments regarding TRQ expansion and reduction of in quota tariff rates for developing countries.”<sup>36</sup> In interviews, delegates also emphasized the extent of agreement among the members, particularly on the broader issue of the protectionist measures used by the EU and the US as the central cause for their unity.<sup>37</sup>

In another clever move to preempt differences within the group, the G22 managed to incorporate the concerns of the net food-importing countries and the LDCs. Hence, even with its predominantly liberalizing agenda, the G22 made detailed references to S&D and non-trade concerns. By balancing the liberalizing interests of some of its members with the protectionist concerns of some of its other members and supporters outside, the G22 stood out in contrast to the Cairns Group with its avid and unrealistic full free trade aim in the Uruguay Round.

The G22 managed to avoid antagonism not only among themselves through intra-coalition deals, but also maintained amicable relations with the Alliance on SP and SSM. Several members of the G22 were members of the Alliance on SP and SSM such as Cuba, Pakistan, Philippines and Venezuela. The G22 draft further proposed the establishment of Special Products and a Special Safeguard Mechanism (Paragraph 2.6). It also came to enjoy the support of the African Group in the endgame.<sup>38</sup> As such, the G22 epitomized the smart

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<sup>36</sup> Paragraph 2.6 (ii), WT/MIN(03)/W/6.

<sup>37</sup> Interviews, Cancun 9-14 September; Phone Interview with delegate from G22 country, 1 October 2003.

<sup>38</sup> Phone interview, 3 October 2003.

issue-based blocs of recent years, which have managed to avoid conflict with other issue-based alliances.

Another strategy that contributed both to intra-group cohesion but also the external legitimacy of the group (at least among most countries except the EU and the US) was the research and careful analysis that underlay its proposal. The result of this analysis allowed the group to recognize their potential differences and guard against them. Further, unlike the blocs of the Uruguay Round, and more akin to some of the issue-based coalitions of the 1980s and subsequent issue-based blocs of Doha,<sup>39</sup> the G22 was not simply a laundry list of demands.<sup>40</sup> As such, it was not simply a blocking coalition, but in fact a proactive agenda-moving one.

So far we have focused on the structure and strategies of the G22 as the explanation for the group's cohesion and durability. However, whether these were decisive in imparting the strengths to the group cannot be fully gauged without considering two other explanations based on the strategic interaction of the group with outsiders. It is true that the group survived in the endgame, but the endgame at Cancun was played on a different terrain than agriculture. On the final day of the conference, the Singapore issues proved to be the real bone of contention. So to pose a counterfactual, had the Singapore issues been resolved and had agriculture come under discussion on the night of 14 September, would the G22 have still survived? It could well be argued that the crunch on agriculture never really came at

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<sup>39</sup> Narlikar (2003).

<sup>40</sup> Note however that several attempts were made to paint the G22 as belonging to the genre of coalitions that make unilateral demands. For instance, Franz Fischler is reported to have said, "They never deal with other [countries'] concerns, and that is a problem." See Inside US Trade, [www.insidetrade.com](http://www.insidetrade.com), 13 September 2003.

Cancun as it was simply not discussed on the last day. Another variant of this explanation is that there is a generalized lack of interest in trade liberalization; the US and the EU, quite simply, didn't care enough about launching the new round,<sup>41</sup> and hence didn't go through the complicated machinations of breaking the G22. The adverse international context had lowered the incentives for the EU and the US to push for multilateral agreement through bilateral deals. After all, a climate of low growth, the US farm bill, and the withering of the MFN through competitive regionalization does not provide the most conducive environment for multilateral liberalization. Context does matter but pressures go in several directions. It is worth recalling that the new round was launched at Doha on the urging of the developed countries and to the great resistance of developing countries (whose position had been that the imbalances of the Uruguay Round had to be corrected before a new round began). The Doha Development Agenda, does pay lip service to development concerns, but it remains essentially tied to the interests of the EU and the US. Admittedly, the Singapore issues emerged as the deal-breaker in the endgame. But the introduction of the Singapore issues on the last day, rather than agriculture, was a surprise by all accounts. In the run-up to Cancun and throughout the conference, countries had repeatedly argued that agriculture was the real deal-breaker. The EU and the US recognized this and we have at least some evidence of their attempts to break the G22 and the Alliance on SP and SSM. Various tactics were used: rumors and prognoses about division to precipitate the dominoes effect, bilateral and regional carrots and sticks at delegates' level, and calls to capitals. In other words, the push for the new round from the US and EU at Cancun may have been lesser than at post-9/11 Doha, but attempts to somehow engineer a deal suggest that the Quad had not been reduced to global apathy and regionalism-mania yet. It would be wrong to argue that the

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<sup>41</sup> Garten (2003).

members of the G22 were not tempted or coerced to defect; rather, they held together in spite of it.

The second explanation for the survival of the group goes back to the argument of the distributive strategy and the ability of the group to pose a credible threat. We could argue that even though the G22 had stuck together through the entire conference, previous experience of the EU and the US with such coalitions led them to doubt the credibility of the G22 to block. This would not have been a far-fetched assumption to make. The LMG at Doha had shown similar promise of holding out, but had collapsed in the endgame. It would also explain the last-minute focus on the Singapore issues: issue-linkages would facilitate the collapse of the G22, which was not much of a credible threat anyway. In other words, misperception led the EU and the US to underestimate the seriousness of the G22 threat. This is perhaps a more plausible explanation to the way the events unfolded in the end and has interesting implications for the interaction of the EU and the US with future coalitions involving developing countries. The G22 has set an important precedent. It is possible that the EU and the US now recognize that when playing a game of Chicken with developing countries, the price of some developing countries is higher. To avoid another showdown the EU and the US may have to learn to swerve at least on certain issues and be prepared to make higher side-payments.

## **5. Conclusions**

Assuming that the G22 would have held out even in the endgame, and in the face of minimal concessions that were forthcoming from the EU and the US, Cancun would have collapsed over agriculture if not the Singapore issues. The G22 story suggests that a

distributive strategy may work if the coalition is somehow able to engineer deals among its own members, and thereby manages to avoid defection and the associated dominoes effect. It is here that the G22 differed from the LMG at Doha, or the G10 in the Uruguay Round: it was able to maintain the unity of the coalition, even in the face of bilateral deals that were coming from the EU and the US. Where it failed was in establishing the credibility of its threat, not only because precedents suggested to the EU and the US that coalitions with distributive strategies have usually collapsed in the endgame.

The question of whether the EU and the US would make concessions in the endgame, would of course depend on their perception of the credibility of the opposing coalition to block. However, equally important would be the cost of the concession, which may turn out to be very high if the opposing coalition is pursuing a strictly distributive strategy and refuses to make any concessions in return. In other words, the EU and the US may still have chosen the option of no agreement had agriculture appeared in the endgame and even if the G22 had posed a credible threat. So what could be done to avoid a stalemate?

Whether or not the G22 survives in the next few months or not is an interesting question, especially once the discussions at the WTO move beyond the agenda-setting stage into the negotiating one. But as far as agenda-moving coalitions are concerned, our analysis of the G22 should be relevant even if the group does not survive on a longer-term basis. Holding out has allowed members to exact a higher price for moving the agenda (be it multilaterally or bilaterally). The coalition represents a landmark and an example in the history of coalition formations by presenting a unified and credible threat to block. To ensure that such coalitions can actually exercise an influence in a resulting agreement (rather than simply

blocking the negotiation), the next step would be for them to adopt mixed strategies in the endgame. Having unified itself and presented a credible threat with a distributive strategy, the coalition could then adopt a value-creating strategy with much higher results than if it had used value-creation in the beginning of the negotiation. The use of mixed strategies can be problematic when different priorities in a bloc-type coalition are involved, and they do require even greater research inputs from the members and identification of clear bottom-lines and fallback positions. But it is not an impossible task, especially if the coalition comprises some of the most powerful members of the developing world and is sufficiently unified to be able to come up with alternative collective demands and concessions.

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