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MULTILATERALISM: HARD VERSUS SOFT

THE CASE OF THE EU AND THE WTO

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Abstract

The European Union (EU) and the World Trade Organization (WTO) are prototypes of what I define hard and soft multilateralism. The EU is a case in which multilateralism and deep integration have gone hand in hand, being mutually reinforcing, while the WTO illustrates a case in which multilateralism and deep integration are vigorously contested. The reason is that, on the one hand, the EU provides for thick political adjustment mechanisms within its borders, in order to grant compensation for the impact of the deeper integration processes on less competitive countries. On the other hand, the WTO allows only for thin legal-economic adjustment mechanisms between and within its members, in order to satisfy all of them. In fact, the EU combines economic interests with broader political aims, which implies the building and sharing of common values, principles and purposes. The WTO, instead, especially as it has been understood in the last decade, lies mainly on a set of common legal rules but, ultimately, the norms, the principles and the goals that each WTO member pursues are different. However, in order for a multilateral regime to tackle deep cooperation problems (which have substantial effects on the economic, political and social dimensions of its partners), it must imply the sharing of common values and objectives among the partners, since deeper integration market opening policies need adjustment and compensation mechanisms to be possible (politically) and sustainable (economically). As a result of the global redistribution of economic and political power that occurred in the last decades, in favour of countries that were once considered as developing, both the principles and the practices of the WTO multilateral trade regime have been put under challenge. In order to advance a deep integration agenda in the WTO, I argue that it is necessary to offer thick adjustment mechanisms to the most affected members. This implies accepting the idea of sharing agenda setting and decision making power with emerging countries, in order to determine how the costs and benefits of the multilateral trading system are spread both between and within countries.
1. Introduction

There have been many examples of deep integration in history. The harmonization of legal rules, policies and/or regulations (what I refer to with deep integration) has traditionally occurred either through unilateral or bilateral regimes. Unilateral regimes achieving deep integration have historically been empires (e.g. Roman, Ottoman, British, Russian, etc.), while bilateral regimes achieving deep integration have been countless (e.g. bilateral maritime policing; bilateral investment treaties; bilateral harmonization of sanitary measures; etc.). In the last decades, the new challenge has been to promote deep integration at the multilateral level. In some cases this attempt was successful, in other cases it was not. With this paper I investigate the reasons why deep integration at the multilateral level might succeed or not, i.e. I intend to study the determinants of a successful deep integration within multilateral regimes.

In particular, I will focus on the effort to promote a deeper integration process at a multilateral level in the field of trade. As far as trade is concerned, deep integration refers basically to the shift from a negative to a positive integration, i.e. from coordination to collaboration efforts. More specifically deep trade integration refers to issues such as: investment, competition, environmental and labour standards, which are called ‘trade-related’ issues, since they have not primarily a trade function, but a regulatory function. Therefore, deep trade integration intends to uniform the rules through which products and/or services are produced and traded (i.e. this is a step further in respect to traditional lowering of tariff barriers on products).

In order to assess why and how deep trade integration is effective and successful in a multilateral regime, I will develop my argument with reference to two of the most notable cases of (attempted) deep integration through multilateralism: the European Union (EU) and the World Trade Organization (WTO).1 These cases highlight two intrinsically different kinds of multilateralism, since the EU and the WTO are prototypes of what I define hard and soft multilateralism, or thick and thin multilateralism. I argue that the EU is a case in which multilateralism and deep integration have gone hand in hand, being mutually reinforcing. The WTO, instead, illustrates a case in which multilateralism and deep integration are mutually exclusive. The principal reason is that, on the one hand, the EU provides for thick political

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1 The EU and the WTO are not homogeneous cases. Therefore, in many respects, the EU-WTO case selection is a problematic one, given the differences in: size; heterogeneity of preferences; institutional environment; etc. Having this in mind, I find it useful to see how, given a common deep trade integration goal, different Institutions may be able to solve, or not, the impact that such process entails. I would like to thank J.F. Morin for having highlighted this issue to me.
adjustment mechanisms within its borders, in order to grant compensation for the impact of the deeper integration processes. On the other hand, the WTO allows only for thin legal-economic adjustment mechanisms between and within its members, in order to satisfy all of them. In fact, the EU combines economic interests with broader political aims, which implies the building and sharing of common values, principles and purposes. The WTO, instead, especially as it has been understood in the last decade, lies mainly on a set of common legal rules but, ultimately, the norms, the principles and the goals that each WTO member pursues are different. To be sure, the WTO does not embody a multilateral regime with overarching political/security objectives, as happened during the years of the General Agreement on Tariffs and Trade (GATT). However, in order for a multilateral regime to tackle deep cooperation problems (which have substantial effects on the economic, political and social dimensions of its partners), it must imply the sharing of common values and objectives among the partners.

The research question underpinning the paper is the following: Why deep integration is possible in some multilateral regimes and not in others? The hypothesis held here is that: deep integration is possible only when there is a commonality of values and objectives, which entails the availability of thick political adjustments. I will test my hypothesis using the EU and the WTO as case studies. The EU provides for thick political adjustment and compensation mechanisms between its members, so that leading countries which push for deeper integration are willing to compensate the countries that might be adversely affected by such measures in the short-medium run. The WTO, instead, allows only for thin legal-economic adjustment and compensation mechanisms between its members. With the global redistribution of the political and economic power to emerging global actors, however, WTO’s practices are not satisfactory for all its members anymore.

The paper is structured as follows. In the second section, I address the key concept of multilateralism, highlighting both why countries have an incentive to create multilateral regimes, and the difference between hard and soft multilateralism in the two cases – the EU and the WTO. In the third section, I analyze EU hard multilateralism, showing the complex dimensions of EU multilateral regime (i.e. economic and political interests; social-political aspects; normative elements), which illustrate the balance between economics and politics. In the fourth section, I present WTO’s regime, indicating its legal principles and exceptions, as well as the economic theory and practice that has been promoted in the system. In the fifth section, I show the three main reasons that explain the deadlock in current multilateral trade negotiation, namely: i) the deepening of trade integration issues under negotiation, which call into question greater compensation mechanisms; ii) the lack of agreement on the values and objectives to reap through the WTO regime.
– i.e. no thick adjustment mechanisms; and iii) the unwillingness of traditional WTO stakeholders (EU/US) to accept the idea of sharing agenda setting and decision making power with new emerging global actors – i.e. old adjustment mechanisms do not satisfy new global actors in WTO trade negotiations. Finally, some concluding remarks follow.

2. Theoretical Framework: Hard versus Soft Multilateralism

Multilateralism has been at the centre of international relations for centuries, and since WWII it has been promoted through strong institutionalised regimes. The potential of multilateralism is now under stress given the changes that occurred in the international relations system in the last two decades. As a result of the end of the bipolar period, when multilateralism provided a balance between political and security objectives, traditional great players are increasingly advancing their political and security goals through bilateral and regional regimes. Furthermore, the declining role of the United States as the world hegemon, and the increasing role of emerging global actors, as well as of non-state actors, is challenging the influence of former dominant players in multilateral regimes, and the relevance of these regimes as such. Still, the potential of multilateralism is great, as relations between interdependent countries are deepening, therefore either the demand, or the necessity for both coordination and cooperation problems might increase – as the instance of the global financial crisis clearly demonstrates.

Multilateralism refers to multiple countries working in concert on a set of issues, or on a specific issue. Ruggie (1992) defines multilateralism as: “an institutional form which coordinates relations among three or more states on the basis of ‘generalized’ principles of conduct” (p. 571). States, as well as non state actors, might have an incentive to push for the creation of multilateral regimes (i.e. systems that constrain their independent decision making), in order to solve coordination problems, or to avoid detrimental or suboptimal outcomes that would arise from independent and self-interested behaviour (Stein 1982). In other words, there are two very different kinds of incentives that can explain States’ decisions to create multilateral regimes, that is the aim

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2 As it will be clear from what follows, a regional regime is a multilateral regime, i.e. is a multilateral regime that is not universal.
3 Given the increasing role of non-state actors, as well as transnational actors, in promoting a global governance system (Hale and Held 2011), this debate over multilateralism might be considered ‘old’, not taking appropriately into consideration the declining role of the State in international relations. Still, there is no way to bypass traditional state actors when the basic political and social values and objectives are at stake, i.e. when it is a matter of providing social protection, establishing the role and limits of the private and the public sector in the provision of goods – be they public or non public goods. Is water a private or public good? Can we leave transnational actors to decide these issues?
to solve *coordination* problems, and the aim to solve *collaboration* problems (Stein, 1982). With coordination regimes, Stein (1982) refers to the decision by participating countries to create a regime in order to avoid a particular outcome. Countries in this scenario do not have incentives to cheat. An example might be a multilateral convention which sets international standards, such as driving on the right. In this case no one has an incentive to cheat, there is no need to create an organization since there is no need to promote enforcement and/or control mechanisms. With collaboration regimes, Stein (1982) refers to situations in which there is a prisoner’s dilemma dynamic, i.e. countries recognize the need to collaborate, have an interest and an incentive to collaborate, but each has also an incentive to cheat, in order to grasp immediate payoffs. Thus, countries might try to free ride, hoping that all other countries will continue collaborating and enforcing the rules. But if all countries free ride, all are worse off. In order to assure a Pareto-optimum outcome, parties must collaborate and should provide for mechanisms that assure the enforcement of the agreements in order to avoid cheating. Hence, the function of multilateralism is to serve solving either coordination problems, or collaboration problems (Stein 1982).

The picture is more complicated, once we acknowledge that multilateral regimes are established under conditions of significant asymmetry, both in terms of power and interests (Martin 1992). In this situation, Martin (1992) argues that smaller states have a strong incentive to free ride and the dominant hegemon(s) might provide anyway for the public goods: “The hegemon would prefer others’ cooperation and is dissatisfied with the equilibrium outcome of unilateral action. I call this kind of asymmetric situation a ‘suasion’ game, since the dilemma facing the hegemon is to persuade or coerce others to cooperate” (Martin 1992: 778).

The objectives of multilateralism, the structure of multilateralism and the actors who might be most willing to promote multilateralism are not constant. Depending on which is the scope to achieve (i.e. coordination or cooperation), the multilateral regime created will: entail different obligations for participating countries; be based on more shallow or deep understanding of the shared basic principles; and determine an incentive either to establish a code of conduct, or to create an effective organization. Depending on the type of inter-state relations produced (International

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4 To achieve a Pareto-optimum outcome no further improvements can be made without having some country/ies worse off.

5 The classic historical example of a collaboration problem related to trade is reported by Stein: “The attempt to create an international trade regime after World War II was, for example, a reaction to the results of the beggar-thy-neighbor policies of the depression years. All nations would be wealthier in a world that allows goods to move unfettered across national borders. Yet any single nation, or group of nations, could improve its position by cheating-erecting trade barriers and restricting imports. The state’s position remains improved only as long as other nations do not respond in kind. Such a response is, however, the natural course for those other nations. When all nations pursue their dominant strategies and erect trade barriers, however, they can engender the collapse of international trade and depress all national incomes. That is what happened in the 1930s, and what nations wanted to avoid after World War II” (Stein 1982, 308).
multilateralism takes different forms (Ruggie 1992). Even though multilateralism is often associated with its application in international relations after WWII, i.e. in the form of international multilateral organizations, on the one hand, multilateralism might not involve the creation of a proper organization; on the other hand, there are plenty of examples of multilateralism in the history before WWII (Ruggie 1992). What is distinct between historical forms of multilateralism and the ones that we have been experiencing after 1945 however, is precisely their increasing institutionalization (Kennedy 1987, quoted in Ruggie 1992). As a consequence, the institutions created by the states started to limit the sovereignty of states, since: “Any form of organizational mediation is capable of affecting outcomes, of introducing elements into the substance or process of decision making that previously were not present” (Ruggie 1992: 584). Therefore, depending on the structure of an institution, this can affect, more or less deeply, relations between partners. Multilateralism can take place in the framework of an organization which is ‘universal’ in scope, such as the WTO, or may involve economic, political, social and normative integration at a ‘regional’ level, such as the EU. Finally, although in theory countries most willing/interested in promoting multilateralism should be medium size countries (as well as small ones), in order to assure themselves from unilateral actions of the more influential actors, after WWII multilateralism has been strongly promoted by one of the so called world hegemons, i.e. the United States (US) (Ruggie, 1992), which advanced its foreign and security policy objectives through multilateralism.

Recalling once again Ruggie’s (1992) definition of multilateralism helps us to make a step forward, highlighting a more specific feature of multilateralism. Indeed, multilateralism is “an institutional form which coordinates relations among three or more states on the basis of ‘generalized’ principles of conduct” (Ruggie, 1992, 571), but the author goes further specifying how we should interpret these principles: “that is, principles which specify appropriate conduct for a class of actions, without regard to the particularistic interests of the parties or the strategic exigencies that may exist in any specific occurrence” (Ruggie, 1992, 571). In other words, multilateralism requires very profound and demanding conditions that go far beyond the promotion of rational self interest. Accordingly, Ruggie (1992) argues that it is much more common to

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6 Each of these types of inter-state relations can be multilateral, thought they are not necessarily so. Ruggies defines International Order as “the constitutive rules that order relations in given domains of international life - their architectural dimension” (572). For him, an international Regime “satisfies the definitional criteria of encompassing principles, norms, rules, and decision-making procedures around which actor expectations converge” (Ruggie 1992, 573). With International Organization the author refers to concrete Organizations, with headquarters, voting procedures, etc.
experience alternative forms of coordination and/or collaboration regimes among nation states – i.e. bilateralism and imperialism.\(^7\)

Comparing the EU and the WTO, what is the difference between EU Multilateralism and WTO Multilateralism? The difference is that EU member countries shares basic economic interests together with normative principles, as well as social and political objectives; whereas WTO member countries, adhere to a set of economic-legal obligations in order to create a stable system, but each country maintains, on the one hand, its own political and social values and, on the other hand, is still in the Prisoner’s dilemma trap – i.e. trying to advance its interests, and often cheating in order to reap more benefits for itself. Still effective multilateral institutions, called to answer to collaboration problems, require a deep sharing of the principles, strategies and objectives between all of its members in order for it to be successful, because it has to admit thick adjustment mechanisms in favour of the disadvantaged countries that might be adversely affected by such measures in the short-medium run. This is why the EU is an example of hard multilateralism, while the WTO is an example of soft multilateralism. Or, to put it differently, that is why deep integration is going further in the EU while is contested in the WTO.

According to this account, hard multilateralism refers to institutional regimes that provide for a balance between economic and political costs on the one hand, and economic and political benefits on the other hand. This entails that hard multilateralism promotes a regime that goes beyond the self interest of single dominant partners, being based on common interests and aims and providing for adjustment costs for those who are impacted. Soft multilateralism refers instead to institutional regimes that are mainly guided by strategic interests of key actors, not willing to compensate the partners that might be affected by deeper integration processes. In fact, “the nominal definition of multilateralism misses the qualitative dimension of the phenomenon that makes it distinct” (Ruggie 1992: 566). This entails that multilateralism, to be hard, should be based on the sharing of fundamental principles (not just interests), for otherwise we have soft multilateralism, that might be able to solve coordination and efficiency problems (e.g. transaction costs between countries), but not to address effectively cooperation problems. Indeed, since in hard multilateralism countries accept to compensate the partners adversely affected by the deeper integration, this entails that in order to promote their interest these countries are willing also to sustain, partially, partners that are more affected by these measures – there is a certain degree of solidarity. Solidarity is possible in light of the greater advantages that this brings – i.e. the possibility to advance in deeper integration. In soft multilateralism there is no such ‘solidarity’

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\(^7\) Imperialism is defined as “an institution that coordinates relations among three or more states though, unlike bilateralism and multilateralism, it does so by denying the sovereignty of the subject states” (Ruggie 1992: 571).
principle. The next session will provide a description of the EU hard multilateralism, showing its three legs: first, the instrumental breadth; second, the social aspect; and finally, its normative dimension.

3. EU Hard Multilateralism: A Balance between Economics and Politics

Defining the EU is a complex task, since it is neither a classic international intergovernmental organization as conventionally understood, nor a nation state (Sbragia, 1989). International intergovernmental organizations meet regularly, are formed by treaty, and have three or more states as members (Pevehouse et al. 2003). Still the EU is more than that, having supranational bodies and powers that constrain the behaviour of sovereign states (e.g. the Council of Ministers votes with majority voting procedures on many relevant issues – like trade; the European Commission has agenda setting power; European law has supremacy over national laws and has direct effect in domestic jurisdictions), and since countries in the EU share not only an economic and political project, but also common values, as exemplified by the Lisbon Treaty (European Communities 2007). According to Schmidt (2004) we should consider the EU as a ‘regional state’, although much needs to be done before the EU might resemble a federation.

The EU has built a complex system which enables countries with different degrees of: economic development, international stance, and strategic objectives, to manage their interests within the Union, through a multilateral method. This is possible because despite the differences between EU countries, there are common principles and goals that sustain the economic, political, and social project. EU-Multilateralism has, in fact, three features: i) political-economic instrumental dimension – i.e. interests-related; ii) a social-political dimension – i.e. based on the promotion of solidarity; and iii) a normative dimension – i.e. the EU agreed on the principled values which apply both in the EU and in its external action. I will now expand on each of these dimensions.

As far as the political-economic instrumental character is concerned, that is the most widely acknowledged, the EU has certainly helped its member countries to create a regional bloc that has grown both economically and politically at the world stage. Economically the EU has reached deep levels of integration and a strong presence internationally, which can be captured by: the weight of its internal market compared to other major blocs – e.g. the North American Free Trade Area; the attraction of the EU in terms of market potential – given a population of 500 billion; its percentage

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8 NAFTA members are Canada, Mexico and the US.
of world GDP; its share of world trade; etc.\textsuperscript{9} The economic-instrumental dimension has been attracting more and more countries in the EU (i.e. EU enlargement, EU Neighbourhood Policy, etc.) willing to share the economic benefits that the participation to the EU entails. Even countries unwilling to promote a strong supranational project, such as the United Kingdom (UK), accepted to limit their independent decision making, although at a lower level,\textsuperscript{10} tying their hands in the EU, in light of the economic advantages that it offered.

The most notable example of the deepening of EU economic integration process has been the achievement of the single European currency, the Euro, which at the moment does not represent an unambiguous example of successful deepening integration, precisely because Euro members still need to agree on the economic and political balance of the project – with appropriate adjustment costs. The Euro is the case of a currency which does not correspond to a nation state, while money has not only a strong national identity feature (Risse, 2003), but has historically been linked to the economic, fiscal and monetary policies of one single country, in order to respond to national preferences/objectives (e.g. devaluation policies). The Euro shows how the promotion of a deep collaboration effort, sparked by economic interests, has profound political and social implications that must be addressed for such integration to be successful. To be sure, the Euro crisis clearly indicates that besides the preservation of the national self interest of single EU partners, for the Euro to survive there should be a clear understanding of whether the single EU currency provides, or not, the function of a public good for its members, and thus Euro members should act accordingly.

On the whole, as the instrumental dimension of the EU is concerned, even though much has been achieved by the EU, much still needs to be done, on the one hand, to increase EU’s economic potential and, on the other hand, its political presence and leverage. Indeed, even though EU presence and action in the economic domain is relevant, EU’s foreign and security policy still suffers the ‘capabilities-expectations gap’ (Hill 1990; 1993; 1998).

As far as the social-political dimension is concerned, the EU created an area of peace and stability among formerly rival neighbours that fought each other for centuries. This has been possible because EU (hard) multilateralism helped its member countries to reach a number of goals, for instance: i) accept the idea that wealthier countries contribute to the development of disfavoured ones, laying the foundation for social peace among EU members; ii) reconcile the positions of stronger and weaker actors within the Union in order to respect both majority and minority rights (see the voting procedures that take into account at the same time the countries and the population

\textsuperscript{9} Will insert updated figures.
\textsuperscript{10} The UK chose to opt out from the Euro for instance.
Thus, EU member States have been posing the bases of a macro-regional social contract and a peaceful cohabitation, building a living-system established on rules and regulations that reflect their values, not just their interests (Moravcsik 1998). So, despite the differences that still hold between EU member countries, there are side by side market oriented policies – e.g. the strong push to increase competition, which go hand in hand with distributive policies through the creation of social funds – e.g. the European Globalization Fund, the European Regional Development Fund; the European Social Fund; the Structural Funds and Cohesion Funds. This entails that while responding to the competitive objectives of the more advanced countries, the EU recognises that less-competitive partners will face greater adjustment costs following the deeper integration process. Therefore, in order for the integration to be possible, it is necessary to balance the economic interests of the more competitive countries, with the costs faced by less-competitive countries, as well as the political feasibility of greater liberalization in all countries. Hence, the EU seeks to balance market economy principles with social, political and economic adjustments instruments, in order to respond both to market failures and/or the social consequences of greater market openness and deeper integration.

Finally, the normative-based dimension applies both to the EU and to its external action. This dimension has been object of many studies since the early days of EU integration, from the Civilian Power Europe (Duchêne,1972; 1973), with the debate ongoing until recently (Whitman 1998; Nicolaïdis and Howse 2002; Telò 2005), to the more recent debate on the Normative Power Europe (Manners 2002; 2008; Sjursen 2006; Diez and Pace 2008) and the variation of Ethical Power Europe (Aggestam 2008). According to the Charter on Fundamental Rights of the EU “The peoples of Europe, in creating an ever closer union among them, are resolved to share a peaceful future based on common values” (2000, Preamble). Also European Commission documents indicate that “The European Union is ultimately a union of values” (Commission of the European Communities, 2003: 3). In other words, the Union depicts itself as being ultimately based on principles, rather than interests. Accordingly, the Lisbon Treaty (European Communities 2007), which entered into force in 2009, sets out not only the rules for the EU-27 to work together, modifying the way EU institutions operate, but states also the values upon which the Union is based. Such values are not only the foundation of the EU, but also a pre-condition for EU membership, and a guide for EU external policy action. It is interesting to go through these values, because together with basic principles (such as: democracy; the rule of law; the universality and

11 I do not address here the external perception and assessment of the EU (Lucarelli 2007a; 2007b).
indivisibility of human rights, the fundamental freedoms and the respect for human dignity; the integration of all countries into the world economy; etc.), we find also: the principles of equality and solidarity, as well as an international system based on stronger multilateral cooperation and good global governance.\textsuperscript{12}

Therefore, the EU is a clear example of a multilateral regime that does not aim just to solve coordination or collaboration problems, but goes a step forwards trying to build a community which shares ideas, interests and objectives within its borders. Therefore, deep integration is possible because the EU provides for thick adjustment mechanisms which are designed to overcome the economic, political and social impact raised by deeper integration dynamics. And yet, the EU itself is still threatened by the consequences of a deeper economic and political integration, both for its social implications, and for the need to set more clearly the common values and goals of the EU – as the Euro crisis indicates.

Hence, while in the EU deeper economic integration goes hand in hand with deeper political and ideational integration, as I will show in the next section, the WTO provides for thin adjustment mechanisms, which are not able to cope with the effects of deeper trade integration.


I will now show the legal and economic principles on which the WTO has been established, and how they have been translated into practice. To do so, I will: firstly, recall briefly the basic elements of a multilateral system; secondly, highlight the cornerstone of the legal principles established by the WTO regime, including the exceptions to such principles that should provide for some adjustment and compensation mechanisms – both between and within countries. Finally, present the theoretical economic principles that are at the base of the WTO, vis-à-vis the political-economic practices that have been followed in the GATT/WTO history. Such practices provided for adjustment mechanisms that satisfied those who had built the regime in the post WWII era, but given the global redistribution of power that has been increasing in the last decades, both the principles and the practices of the multilateral trade regime have been put under challenge.

Multilateralism has there characteristics: i) non-discrimination; ii) indivisibility; and iii) diffuse reciprocity (Ruggie 1992). Non-discrimination implies treating all partners equally. Indivisibility, in security terms, would entail that aggression to one, is aggression to all. According to Ruggie (1992), indivisibility “here is a social construction, not a technical condition [...] in the case of trade, it is the GATT members’ adherence to the MFN [Most Favoured Nation] norm which

\textsuperscript{12} See the Lisbon Treaty (European Communities 2007), in particular: Article 1a; Article 2 para. 5; Article 10 para. 1.
makes the system of trade an indivisible whole, not some inherent attribute of trade itself” (p. 571). Reciprocity entails that the same privilege granted by one party to another partner (who reciprocates that privilege), is extended to all the members of the multilateral regime, so “the arrangement is expected by its members to yield a rough equivalence of benefits in the aggregate and over time” (Ruggie 1992, 571).

The WTO regime has been built on these exact principles. The cornerstones of WTO law are the Most Favoured Nation (MFN)\(^\text{13}\) and the National Treatment (NT)\(^\text{14}\) principles – i.e. non-discrimination rules. The logic of MFN is to create a system that establishes common rules for all countries. The incentive to cheat is still there (i.e. the prisoner’s dilemma dynamic), however the benefits that countries would derive from the adherence to such principle are at least four: 1) granting MFN status to all imports, a country will be able to import by the most efficient supplier – while if tariffs differ by country, this may not be the case; 2) MFN allows to extend agreements concluded between the big players to small/medium size ones, i.e. to share the advantages that larger countries grant each other; 3) MFN should avoid incentives for domestic lobbies to obtain protection, since a higher tariff would be applied against all countries – not only to those who are more competitive; 4) having one single set of tariffs for all countries simplifies the rules, and increases the transparency of the system – avoiding the problems of rules of origin.\(^\text{15}\) The National Treatment principle, instead, establishes that it is not possible to discriminate between foreign and local goods (e.g. through taxes or other government regulations).

Besides these basic principles, the WTO provides also for exceptions, the most relevant being: 1) the special and differential treatment for developing countries; 2) the possibility of signing preferential trade agreements; 3) the possibility for a country to raise tariff barriers against specific countries when they are accused to promoting unfair trade practices. These exceptions are allowed under very strict conditions however. Let me develop briefly on each of them. Firstly, as the possibility of granting preferential treatment to developing and least developed countries is concerned, I argue that this Special and Differential Treatment has not been effective for two main

\(^{13}\) An excerpt from Article I of the GATT (Most Favoured Nation principle): “any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties”

\(^{14}\) An excerpt from Article III of the GATT (National Treatment): “The products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products”.

\(^{15}\) Rules of origin determine to which country a product must be attributed to for customs purposes. There are preferential and non-preferential rules of origins. The latter ones are used to distinguish domestic from foreign products (in order to apply antidumping measure, countervailing duties, safeguard measure, origin marking requirements, discriminatory quantitative restrictions or tariff quotas), whereas preferential rules of origin set the conditions under which a product can be considered as originating from a preferred country or not, in order to prevent trade deflection (i.e. products from non-preferred countries which try to enter in a market through a partner which enjoys preferential access)
reasons: i) gradually the principle of Special and Differential Treatment has been put under question and reduced by a progressive erosion of the preferences, due to the increasing liberalization that occurred under the Most Favoured Nation principle; and ii) much of the protectionist measures of developed countries (especially the US and the EU) have been historically in sectors were developing and least developed countries had the greatest comparative advantages (e.g. agriculture and textile).

Secondly, the possibility of deviating from the multilateral route, signing preferential trade agreements – either at the bilateral or regional level (Article XXIV of the GATT), has been one of the most controversial exceptions of the GATT/WTO system. Indeed, this principle invalids the most important effects of the most favoured nation principle, that is, non-discrimination and the possibility that agreements concluded by the most powerful were to be extended to all WTO members. Much debate has focused on whether preferential integration agreements were to be considered as building blocks or stumbling blocks for further multilateral integration (De Melo and Panagariya 1993; Lawrence; 1996). Depending on the perspective (e.g. orthodox economy versus comparative political economy) the answer differs.

Thirdly, a country can raise tariff barriers against specific countries when they are accused of using unfair trade practices. According to Baldwin (2007), the WTO system admits that a country may invoke protection against unexpected increases in imports that “cause or threaten to cause serious injury to domestic producers” (Article XIX of the GATT). Further, it is possible to establish tariff measures against imports that are threatening a sector as a consequence of an unfair action either by a foreign government, or by the producer itself (e.g. specific government subsidies, or dumping).

Thus, the WTO does recognise some forms of adjustment mechanisms in order to determine how the benefits of trade are distributed both within the countries, and between countries. And yet, these are very specific legal exceptions that provide for a thin framework of economic compensation in very specific cases and/or countries. To be sure, WTO adjustment mechanisms cannot be considered as setting the bases for the sharing of the costs and benefits (political and/or economic) of the multilateral trade system.

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16 “Under this rule, countries are permitted to withdraw temporarily previous trading concessions in order to prevent or remedy such injury. However, they must compensate exporting countries affected by the withdrawal of these concessions through such means as tariff reductions on other products in order ‘to maintain a substantially equivalent level of concessions’” (Baldwin 2007: 259).

17 Dumping refers to the practice of a foreign firm(s) of either selling products in another country at prices that are below the prices normally charged by this firm(s) in their own market; or selling products in foreign markets at prices less than the cost of production in the country of origin.
WTO legal rules are based not only on the principles of multilateralism, but also on economic principles. According to standard economic theory, each country should specialize in the production of goods where it has a comparative advantage, this will enable countries both to produce more goods as would have happened in conditions of isolation (i.e. autarky), and by trading goods between them, countries will increase their economic welfare well beyond the level reached in conditions of isolation. If then countries can trade with no restrictions (tariff and non tariff barriers alike), then no further improvements can be made without having some country/ies worse off (i.e. there is a Pareto efficient solution). This is roughly the theory.

Yet, trade entails the typical cooperation problems of a prisoner’s dilemma game, as reported by Stein (1982). In other words, even though in theory mutual free trade is preferable to mutual protectionism – since in the long run unilateral and/or multilateral free trade benefits are greater, in the short term, countries have an incentive to cheat in order to obtain immediate pay-offs and/or protection for sectors or regions that might be adversely affected by greater free trade. In other words, on the one hand, there are immediate economic and political costs associated with liberalization; on the other hand, the benefits are projected in the future. Further, as Krasner (1991) correctly argues, the problem is which point along the Pareto frontier will be chosen, not just how to get to the Pareto frontier. Baldwin develops such concept highlighting that:

“The limitations of an economic efficiency criterion become obvious once it is recognized that there is not one particular allocation of resources but many resource allocations at which it is impossible to improve one person’s welfare without decreasing the welfare of another person […] Economic analysis does not provide any definitive guidance on this issue. Selecting one particular Pareto optimum allocation over another involves a value judgment about the desirability of various distributions of economic welfare, for which economists have no particular competence to make” (Baldwin 2007: 256).

Similarly, Jones (2006) opposes the “idealism” (i.e. the normative prescriptions) of orthodox economists such as Bhagwati (1991), to the “realism” of comparative political economists when highlighting their different world views about how economics and politics actually work.19

There is much between the theory and the practice of the WTO, i.e. politics has always played a great role since the GATT years. Despite embodying the theoretical elements of

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18 See footnote 4 on the case of trade and the prisoner’s dilemma.
19 “Many, if not most, international economists start with the presumption that: 1) institutions are positive: they lower transactions costs and create incentives; 2) policies are normative: politicians should do what is ‘best’; and 3) economic interaction is aggregative: the goal is to increase the size of the pie. Comparative political economists view the world somewhat differently (Jones 2003). For them: 1) institutions are normative: they embody and reconstitute social values; 2) policies are positive: politicians do what they can, given political support; and 3) economic interaction is distributive: the size of the pie is less important than how it is sliced” (Jones, 2006: 945).
multilateralism (non-discrimination, indivisibility and reciprocity), which have been codified in WTO legal obligations, and despite declaring to follow the standard economic theory principles of open market economies, the WTO has also adapted to answer to the conflicting interests of its members. As Goldstein (1993) points out, since GATT creation, in 1947, the US has opposed the inclusion of the agricultural sector in the negotiations (which spurred the creation of the Common Agricultural Policy by the European Community, in 1962, and Japan agricultural protectionism), essentially because “no consensus existed in 1947 that liberalizing trade would be sufficient to ensure economic stability” (Goldstein, 1993: 223). The WTO system thus should be considered as supporting an embedded liberalism (Ruggie, 1982), vis-à-vis the standard orthodox economic theory, reflecting interest and ideas of those who built the system (i.e. the old monopolists of the regime, the US and the EU).

To some extent it could be argued that the US and the EU historically built the WTO regime in order for it to provide to their adjustment mechanisms. “At the close of the war, significant differences existed in trade preferences between Western nations. […] in the GATT each nation defended the rules that they perceived as maximizing their particularistic interests. Since *distributional* issues were in the forefront of the debate, the game theoretical metaphor that better captures GATT negotiations is ‘Battle of the Sexes’” (Goldstein 1993: 202, emphasis added). In the battle of the sexes, the players do not have the same interests, and one player consistently does better than the other.

The countries that built the post-WWII trade regime had at the time enough resources to provide for internal compensation and adjustment mechanisms, and enough power to impose part of the burdens of their adjustments on their partners (e.g. the impact of agricultural and textile protectionism on developing countries). Why then the international trade regime was considered a plus by developing and developed countries alike at the time? For developing countries, a system was far better than no system at all, since the second option could entail far more discrimination. Further, as highlighted by Hirschman (1980), when analyzing asymmetric economic dependence, weak actors are much more dependent on the access to the markets and resources of the dominant countries, than the opposite, so developing countries had a weak bargaining power. As for developed countries, and in particular the US during the Cold War era, the GATT regime would enable to promote broader foreign and security policy objectives. In order to reach such objectives, the US was willing to constrain its independent action through a multilateral regime (Ruggie, 1992; Destler, 2005; Baldwin 2007). At that time, “Some of the founders of the GATT seemed more interested in the international political implications of trade liberalization than its economic
consequences” (Baldwin 2007: 260). Although I would not go so far, it is true that there was surely a trade-off between economic and political objectives during the Cold War era.

With the end of the Cold War, foreign and security policy objectives are widely promoted, by the US and the EU alike, at the bilateral and regional level, rather than at the multilateral one. Further, today the great redistribution of political and economic power, in favour of countries that were once considered as being at the developing stage, is challenging the economic and political principles that former dominant countries embedded in WTO regime. Accordingly, former dominant WTO members might not have the possibility: i) to impose their preferences; ii) to sustain adjustment mechanisms within their borders – either at their expenses, or at their partners’ expenses; and iii) to accept broader adjustment mechanism at the WTO level for disfavored countries. The next section will highlight, concretely, the causes of the stall of current multilateral trade negotiations within the WTO.

5. WTO: Three Challenges to Multilateral Trade Negotiations

Despite the rhetoric with which the new Round of multilateral trade negotiations was launched in 2001, there have been three major reasons that explain its deadlock: first, the shift of trade negotiations from border barriers, to deep integration issues; second, the lack of agreement on the values and objectives to reap through the WTO regime, which means that there is no agreement on thick adjustment mechanisms; and finally, traditional WTO stakeholders (EU/US) still need to accept the idea of the necessity to share agenda setting and decision making power with new emerging global actors.

In November 2001, two months after the 9/11 terrorist attacks, at the fourth ministerial conference of the WTO, which was held in Doha, a new Round of multilateral trade negotiations was launched, the Doha Development Agenda. At that stage strong propositions of launching a Developing Round seemed to combine economic, political and security interests. *Economic interests* would be promoted by the greater openness of world trade, i.e. following the principles of standard economic theory recalled earlier.

*Political objectives* would be achieved through a strong commitment in contributing to a rebalancing of the effects of the Uruguay Round on developing countries. Indeed, the results of the Uruguay Round started to be considered as unfair by many: developed and developing

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20 The Uruguay Round was the last multilateral trade round under the auspices of the GATT, since the Uruguay Round was concluded in 1995 with the creation of the WTO.
countries, non-governmental organization and the academic community. A well-known study by Finger and Schuler (2000) had a particular echo. In this work, the authors pointed out that the net benefits for many developing countries (in market-access terms) were not only quite limited, but it was likely to argue that these countries would bear more costs than benefits as a result of the implementation of the new WTO Agreement on Trade Related Intellectual Property Rights (TRIPS).\footnote{An issue on which I will expand later in the Section.} Studies over the impact of the current Doha Round highlight mixed results. Indeed, some developing countries would have to face a substantial preference erosion due to the increasing reduction in tariff rates at the multilateral level, while other developing countries should show net gains from the Doha Round (Anderson and Martin, 2005). Still, Bown and McCullock (2007), focus on the adjustment problems that will arise from the current WTO Round of multilateral trade negotiations, indicating that: “Crafting a liberalization package that benefits each member of a large and diverse WTO may require international transfers between major gainers and the countries that would otherwise lose overall […] For a small number of poor countries, the likely Doha package would mean net losses even after adjustment” (p. 22). In other words, some GATT member countries have not benefited from the Uruguay Round, and some WTO member countries will not benefit from the Doha Round. If no economic and political compensation mechanisms are provided, or no economic adjustment mechanism assured, no consensus can be found on the Doha Agenda now that new actors have a greater voice in the decision making and agenda setting.

Finally, security purposes were to be promoted through the successful conclusion of a multilateral trade Round that had at its core development issues, in this way the ties between developing and developed countries would be reinforced and the terrorist threat weakened – so the discourse went (Aheran, 2003; IMF, 2011; Zoellick, 2001).

The bold ambitions that led to the launch of the Doha Development Agenda were not followed by similar commitments during the negotiating Rounds that took place since then. Both the EU and the US, but especially the former, have been accused of maintaining conservative protectionist positions on key sectors vital for emerging and developing countries’ interests, promoting essentially a double standard policy, that is the application of different set of principles within and outside their communities – as Gilpin (1987) puts it, promoting “Keynes at home and Smith abroad” (p. 363). In other words, the EU has been accused of advancing its strategic interests, maintaining protectionist measures to shield weak sectors within its regional bloc from international competition, but asking its partners to proceed with further opening of their markets in sectors where the EU is highly competitive, i.e. deep integration issues. Rather than balancing the interests, values and priorities of all participating countries, the EU is widely perceived within the WTO as
promoting its self interests, and thus as not having the authority to lead international negotiations due to a lack of credibility (Elgström 2007).

The bloc formed by emerging and developing countries in the WTO since the ministerial meeting held in Cancun (Mexico, 2003) are challenging simultaneously three basic elements of the current multilateral trade regime: i) the greater political impact of trade negotiations, due to the shift of trade negotiations from border barriers, to non-border barriers (i.e. deep integration issues); ii) the fundamental consensus on the values and objectives of the WTO, highlighting that there is agreement only on the legal obligations that each country has in respect to the others; iii) the decision making and the agenda setting power of the traditional monopolists of international trade negotiations: the EU and the US. I will now expand on each of these challenges.

First, trade became a highly controversial political issue. The increasing political nature of trade issues that followed the shift of trade negotiations from border barriers (i.e. tariffs), to non-border barriers (e.g. intellectual property rights, investment, competition, environmental and labour standards), entailed that trade became increasingly an issue highly controversial and difficult to negotiate. When referring to: non-border barriers; regulatory issues; deep integration issues; the new ‘trade-related’ issues; I refer to all WTO topics that entail a positive integration (not just a negative integration effort). All these ‘trade-related’ issues regulate the “processes through which products are being made, not the products themselves” (De Brieve, 2006: 851; Maskus 2002).

More specifically, with deep integration I refer to issues that are either already in WTO’s scope of action (e.g. intellectual property rights), or that are under discussion to become part of the WTO’s scope of action (e.g. environmental and labour rights, etc). In particular, much debate has focused in multilateral trade negotiations since 2001 on the so-called Singapore issues. The Singapore issues refer to four trade related issues, namely: transparency in government procurement, trade facilitation, trade and investment, and trade and competition. Discussion over the inclusion of such issues in the scope of the WTO was set up during the WTO ministerial conference held of 1996 in Singapore. Besides the EU, other supporters of the Singapore issues are Japan and South Korea. The US never showed strong interest in their inclusion in the WTO.22

Accordingly, the focus of trade negotiations is increasingly concentrating on domestic policies and measures that hinder trade access without having a primarily trade-related purpose, being regulatory measures. The main purpose of regulatory measures is not economic in principle, but political, since they help each country to promote and/or defend its domestic preferences on a given issue. Thus, not only trade negotiations became an increasingly political matter; but the

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22 In 2004 a ‘Framework Agreement’ removed three of the Singapore issues from the negotiating table (except for trade facilitation), but least-developed countries were not expected to make any market-access concessions.
projection of EU rules, regulations, procedures and standards can help the Union to advance a
global governance system modelled on the one established within its borders, and thus yield all the
typical advantages of any norm creator. This also entails that countries that have to adapt will face
great costs compared to the EU (Hoekman and Vines 2007), that is why they are resisting. De
Brieve (2006) summarizes some of the main problems with promoting a deeper harmonization of
regulatory measures: firstly, they involve high transaction costs regarding policing, measurement
and enforcement (Majone, 1996); secondly, regulatory agreements are not like tariffs that can be
restored, i.e. they take long time to be implemented and high costs; thirdly, regulatory agreements
have high implementation costs for the countries that have to adopt them.

The case of the regime of Intellectual Property Rights, as agreed in the WTO in relation to
the access to medicines in developing countries, may help both to illuminate the impact of the
expansion of trade agreements from tariffs to non-tariff barriers, clarifying the political and
economic relevance of the so called deep integration issues, and why many countries are now
 contesting such expansion. In 1994, WTO members signed the Trade Related Aspects of
Intellectual Property Rights Agreement (TRIPs), which establishes minimum standards of
intellectual property rights protection. As a result, intellectual property rights law provided a form
of temporary monopoly to the authors/companies who own the patents over their new products,
ideas, projects, etc. However, the impact of the TRIPs Agreement on access to medicines soon
became evident, as the pharmaceutical companies that lobbied in the US and the EU for the
introduction of the TRIPs in the WTO were finally able to impede the production of generics from
countries (developing ones) that did not buy their patents. As argue by Hoekman and Vines
(2007):

“TRIPs is the first example of a WTO agreement that involves a significant element of
policy harmonization. Although most economists accept there is an economic logic to
IPR [Intellectual Property Rights] protection, both theory and economic history suggest
harmonization is unlikely to be an optimal outcome for all countries, in particular poor
economies. Whatever the economics may be, TRIPS greatly increased the awareness of
many developing countries of the need to scrutinize carefully the likely impacts of
agreements that entail regulatory harmonization” (p. 314).

23 Several years after the subscription of the TRIPs Agreements, at the fourth WTO Conference, held in Doha (Qatar) in
2001, it was clearly stated in a special Ministerial Declaration that the Agreement should be interpreted in order to
encourage access to medicines for all, taking into account the concerns of developing countries and the need to
guarantee access to basic medicines for the least developed countries. In particular, the ambiguities between the need
for governments to apply the principles of public health, and the terms of the Agreement on intellectual property rights
protection were clarified.
Yet, the EU wishes to extend further its own integration strategy to the WTO (including all the deep integration issues), but is not proposing to create simultaneously broader political and social mechanisms, in order to alleviate the consequences that this expansion would entail on weaker WTO member countries. I argue that it is not be possible to expand WTO’s scope of action, without a deep change of the objectives and values at the base of WTO’s multilateral project. Indeed, the effect of the deep integration calls into question broader development, cultural and political objectives than a simple negative integration. The WTO as a multilateral institution dealing with eliminating barriers to trade is under stress, because the degree of collaboration now required to member countries is much greater. More significantly, the impact of the deep integration is questioned for its political, economic and social consequences. Consequences that the WTO is not called to answer to, since they should be dealt with at the national level. However, on the one hand, not all WTO member countries have the economic means to address the consequences of deep trade integration, individually. On the other hand, greater global trade integration is hindering the capacity of national governments to deal with the social protection mechanisms, since many of the policies that were once used to compensate for the impact of market opening measures, do not conform with WTO legal requirements. Accordingly, deeper trade integration has challenged the idea that there could be two isolated dimensions: international economic relations (based on openness), and domestic political objectives to sustain social policies and adjustment mechanisms (based on closure and protection). This brings us to the following point.

Second, there is no fundamental consensus on the values and objectives of the WTO, but only on the legal obligations that each country has in respect to the others. This is a more deep and difficult problem since it goes back to the mismatch between orthodox economic theory and practice. Most WTO members, from the most powerful actors to developing countries, despite the adherence to the principles of free trade and non discrimination, resist free trade in non-competitive or declining sectors, promoting protectionist measures to shield them from multilateral rules and international competition. The reason is that, despite the one size fit all idea of free trade, WTO member countries show different levels of economic, social and political development, as well as different values, goals and priorities. Therefore, even though free trade might expand the pie, to whom and when the pie is going is crucial. So, how costs and benefits are spread both between and within countries is of fundamental importance (Bowen and McCullock 2007). The way in which costs and benefits are spread depends on the broader political objectives and values that drive the participating countries, especially the strong players. In other words, free trade is often understood as embodying some clear formulas to increase economic growth, trade, etc. (Bhagwati 1991). Whereas, there is much more to it, since markets are not neutral, and economics is embedded in
society (Ruggie, 1982), so that market institutions carry and recreate the normative foundation of their cultural environments (Polanyi 1957).

Hence, the increasing political impact of trade that occurred with its deepening, and the thin framework of understanding within the WTO of economic cost-benefit analysis, does not match neither with the social and political consequences that deeper trade integration has on participating countries, nor with the goals and values that WTO members with different levels of development, might have today. In other words, deeper integration policies need adjustment and compensation mechanisms to be possible (politically) and sustainable (economically). Accordingly, there are those who argue that there is an urgent need for adjustment mechanisms in the WTO regime, in order to provide for compensation systems in favour of the countries that will be affected from further integration and liberalization policies (Bown and McCulloch (2007).

Third, the traditional stakeholders of the WTO system (i.e. the EU and the US), have a hard time in trying to find an agreement between themselves, asserting their interests, and convincing all other WTO members to agree (i.e. they lost both agenda setting and decision power). The US-EU monopoly on multilateral trade negotiations has been broken and is now challenged by the rising power of emerging international actors, previously conceived essentially as developing countries – e.g. China, India, Brazil, South Africa, but also medium-sized countries such as Mexico and South Korea. Such countries now want to have a say. Snidal (1985) argues that in order for multilateral arrangements with many countries to work, key countries govern de facto the regime. Similarly, Kahler (1992) argues that since WWII all multilateral regimes have been governed by mini-lateralist formations, in order to solve the problem of collective action. Emerging global actors not only learned the rules of the ‘trade game’, and are now playing them successfully to defend their interests against the traditional EU-US supremacy and control over multilateral trade negotiations, but want to start participating de facto to the government of the WTO.

Besides the new role and power of dynamic emerging economies, increasingly civil society activists and Non-Governmental Organisations (NGOs) denounced the legitimacy, democracy and transparency deficit of multilateral negotiation processes, and are now challenging the way in which multilateral trade agreements are taken. Since both emerging global actors and civil society are participating more actively in international negotiations, the traditional hegemonic leaders of the

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24 Bown and McCulloch point out that: “the WTO regime suffers from two conceptually distinct types of adjustment problems. First, achieving gains through multilateral liberalization requires appropriate adjustment within member countries […] Although most countries can expect to gain overall, they still face the problems of facilitating appropriate adjustment and ensuring a socially acceptable sharing of national gains […] But certain countries, including some that experience substantial preference erosion, may not have aggregate gains to redistribute. For these countries, an additional problem for the WTO community is to provide compensatory transfers sufficient to offset what would otherwise be a net loss for the country as a whole” (p. 21, emphasis added).
multilateral system, the US and the EU, are not able to assure alone the successful conclusion of the current multilateral trade negotiations, ongoing since 2001.

The emblematic case that shows this changing of power relations within the WTO can be traced back to the Seattle protests in 1999, at the third WTO Ministerial Conference. The WTO negotiations held in Seattle in 1999 were quickly overshadowed by massive street protests that led to the failure of the negotiations, preventing the launch of a new Millennium Round. The WTO was contested by civil society for the weak legitimacy and transparency of its processes, and the necessity to assure a democratic output of its accords. In particular, the scandal was raised by the method through which trade agreements were reached, typically the ‘green rooms processes’, i.e. meetings of representatives of a limited number of WTO members specifically selected and invited by the host (often the WTO Director-General), in order to work out an agreement among themselves, and then present such agreement to the broader WTO membership for acceptance. The failure of the WTO Conference was due to the support that the civil society protests gave to the developing countries who were looking to increase the democracy of both the procedures and results of WTO negotiations. In other words, civil society protests facilitated the explosion of the contradictions of the traditional EU-US virtual monopoly over international trade agreements, and the lack of consensus between developing and industrialised countries on how to manage the negotiations.

Therefore, the role of the EU and the US has been under challenge because they do not hold anymore the same agenda setting and decision power. This is considered as good news by some authors, since it might entail that the WTO could become truly multilateral: “Not only might cooperation persist after the decline of the hegemonic power, the degree of cooperation might well increase” (Snidal, 1985: 602). Similarly, also Martin (1992) points out that: “As asymmetries of power and interest decline, the de facto monopoly of decision making by the hegemon should give way to more genuinely multilateral behavior” (p. 790-1). Still, what has been happening, historically, is that with the end of the Cold War first, and with the declining role of the dominant actors within the multilateral trade regime, all the major actors (old and new ones alike) are increasingly resorting to bilateral and preferential trade integration agreements to promote their economic, political and security objectives.

6. Concluding Remarks
In the EU to deeper integration efforts in the economic domain, correspond deeper integration measures in the political and social domain, thus providing for thick adjustment mechanisms that compensate the partners affected by the consequences of deeper integration – although many would argue that much still needs to be done. Adjustment and compensation mechanisms, and trade-offs between economic and political objectives in the GATT/WTO were assured, to a certain extent, until the WTO was created in 1995. Since then, however, the thin adjustment mechanisms of the WTO have been put into question by the global redistribution of economic and political power that has taken place in favour of countries once considered as developing. In the last decade, both the consequences of deeper integration became evident to developing and emerging countries, and the latter are now pretending greater voice (Hirschman, 1970). As a matter of fact, former monopolist of world trade negotiations have now little to offer and much to ask to countries that have the power to refuse the deal, until the economic adjustment and political compensation mechanisms will not satisfy also their needs and objectives. Indeed, with the creation of the WTO in 1995 countries adhering, both developed and developing countries, found that overall this organization satisfied their interests and goals. Developed countries strengthened the control mechanisms, in order to avoid free riding, and expanded WTO’s mandate the deep integration issues (services and intellectual property rights). In exchange, developing countries were supposed to have roughly two main benefits: first, the creation of a proper Organization which could protect them from aggressive unilateral measures of the dominant actors – e.g. US’ use of Section 301 (Bhagwati 1994; Hoekman 2007; Hudec 1999), and the phasing out of agricultural protectionism. Today, instead there are three different conditions: 1) the WTO is already there; 2) aggressive unilateralism is limited to a certain extent by the WTO; and 3) the consequences of deeper integration are much more clear to emerging and developing countries alike. So, former monopolists of the GATT/WTO regime in order to advance their deep integration agenda should accept to offer thick adjustment mechanisms to their partners, which implies accepting to share their agenda setting and decision making power, which determine how the costs and benefits of the trading system are spread both between and within countries.

25 With Section 301 of US Trade Act of 1974, the US created an instrument to determine different objectives: 1) the forceful opening of foreign markets by the threat of sanctions, such as blocking access to the US market; 2) retaliatory measures as a consequence of unilateral charge of violations of GATT principles by other members; 3) to set the GATT agenda. In particular, Section 301 enables US President to take all appropriate actions, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts US trade. The law does not require that the US government wait until it receives authorization from the WTO to take enforcement actions, but the US has committed to pursuing the resolution of disputes under WTO agreements through the WTO dispute settlement mechanism.
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