

The G20 at the Cancun Ministerial: Developing Countries and Their Evolving Coalitions in the WTO

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1. INTRODUCTION

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 Organisation (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

The authors thank many of the delegates from developing countries who requested anonymity, but who were very generous in sharing some of their insights at Cancun and afterwards with them. This paper would not have been possible without their help. The authors are grateful to Rudolf Adlung, David Armstrong, Maggie Armstrong, K. M. Chandrasekhar, Andrew Hurrell, Patrick Low, Alessandro Martinatto, Arrmanatha Nasir, John Odell, Siva Palayathan, Nasim Qureshi and Rorden Wilkinson for stimulating discussions. The paper benefited greatly from the comments of two anonymous referees. Amrita Narlikar thanks ACUNS, the University of Exeter, and the Nuffield Foundation for providing institutional and financial support. Diana Tussie thanks the International Development Research Council of Canada and her LATN colleagues for support.

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 G20 on agriculture.¹ In Section 2, we present a map of the various coalitions that were in operation at Cancun. We further explain our reasons for focusing on the G20 and present a brief account of its formation, membership and agenda. In Section 3, we discuss some of the theoretical writings on the subject of bargaining coalitions to illustrate the problems of coalition formation and maintenance. In Section 4, we draw upon the historical record of coalitions in the GATT and WTO, to suggest that the G20 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 G20 that facilitated intra-group cohesion, as well as the impact of external conditions, in Section 5. 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 fulfilment of even some of their demands. The costs of impasse are probably heaviest for developing countries, which have limited alternatives (such as regional or bilateral solutions) outside the WTO. As such, even though the efforts of the G20 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 sixth and concluding section, we discuss alternative negotiating strategies that the G20 could have used, which may have helped in overcoming the impasse at Cancun and greater gains for developing countries.

2. 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)

¹ Due to changes in its membership, particularly after Cancun, the G20 is also referred to as the G22 and the G20+. While referring to the group in this paper, we have adhered to the name that the group continues to be most commonly associated with today, irrespective of the actual numbers in its ranks, the G20. Note that the members of the group also usually refer to themselves as members of the G20.

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.² 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 liberalisation. 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.³

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 recognised 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 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

² For more on the typology of coalitions and an empirical analysis of coalitions until the Doha Ministerial, see 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 G20.

³ Narlikar and Odell (2003). The Singapore issues refer to competition policy, transparency in 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.

Blair House Accord on us'.⁴ 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 G20 on agriculture.

The Core Group of developing countries initially comprised 12 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.*⁵

The group 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).⁶ On the final day of the conference, the African group, and LDC and ACP groups (and members of the SVE which 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 apparent 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.⁷ Also in the run-up to Cancun was the Alliance on Strategic Products (SP) and Special

⁴ Interviews with representatives of developing countries to the WTO, May 2003.

⁵ 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.

⁶ Available at http://www.ictsd.org/ministerial/cancun/documents_and_links.htm

⁷ TN/AG/GEN/4, Poverty Reduction: Sectoral Initiative in Favor of Cotton, 16 May, 2003.

Safeguard Mechanism (SSM). Reports about coalition activity among 16 countries over this proposal go back to at least late July.⁸ At the beginning of the conference, the coalition came to comprise over 20 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 developing countries against import surges. By 13 September, this coalition had expanded to 33 members.⁹ Both the coalitions on cotton and on SP/SSM represented 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 G20. According to some sources, the origins of this coalition can be traced to the Brasilia Declaration signed between Brazil, India and South Africa in June 2003.¹⁰ But the coalition that we saw at Cancun really arose as an immediate response to the EU-US text on agriculture (even though cooperation among some of the G20 has precedents in both trade and other issues). Until the EU-US text came out on 13 August, according to one member, the Cairns Group members had hoped that the US would support their position.¹¹ Similarly, countries with a more defensive interest in agriculture had hoped that they would find an ally in the EU. Developing countries from both sets of interests came together when they realised 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 G20, 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 – 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.¹²

⁸ *Bridges Weekly Trade News Digest*, Vol. 7, No. 27 (28 July, 2003, available at www.ictsd.org/weekly/03-07-28/story4.htm).

⁹ *Bridges Daily Update*, ICTSD (13 September, 2003, Issue 4).

¹⁰ www.southasiamonitor.org/diplomacy/2003/sep/26dip7.html

¹¹ 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.

¹² *Wall Street Journal* (25 September, 2003).

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 agenda.¹³ 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'.¹⁴ 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.¹⁵

It proposed a differentiated formula with respect to developing countries in keeping with their capacity to contribute to the process. On export subsidies, the G20 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'.¹⁶ 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 G20 framework required the developed countries to commit to significantly higher levels of liberalisation than the EU-US proposal had envisaged.

All the coalitions discussed so far played specific, independent roles 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 G20 expressed support for the

¹³ Note that a proactive agenda need not contradict the use of a strict distributive strategy; all that we mean by proactive is that the group went beyond a position of simply blocking and instead came up with several alternative proposals of its own that were based on research (rather than a laundry list of demands).

¹⁴ Paragraph 2.1, WT/MIN(03)/W/6.

¹⁵ Paragraph 2.5, *ibid.*

¹⁶ Paragraph 3.1, *ibid.*

Alliance on SP and SSM. Consultation and coordination between the ACP, LDC, African Group, the G20 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 G20 in particular demands attention.

The G20 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 per cent 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 emphasising that it represented the interests of over half of the world's population. Unlike some of the older coalitions involving developing countries, the G20 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 lack of agreement over the Singapore issues was presented as the ostensible reason for the end of the meeting, agriculture had in fact been the *bête noir* through most of the conference as well as in the run-up to it. To use a counterfactual, even if the Singapore issues had been resolved on the last day,¹⁷ consensus would still have been unlikely due to the G20'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 G20 presents a fascinating puzzle. The G20 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 organisations 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

¹⁷ In fact, the EU in the endgame had shown a willingness to back down from its position by dropping two of the Singapore issues; at least some developing countries too, with time, may have been willing to arrive at some compromise.

lived through such a fate of fragmentation in the endgame;¹⁸ the G20 potentially had even more serious sources of fracture. And yet, the group survived.

3. 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.¹⁹ 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 are unable to overcome the first problem of risk marginalisation in the endgame, partly because they may find it harder to block consensus in the face of pressure from their more powerful counterparts.²⁰ 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.²¹ Second, the coalition of small and weak countries 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. To take two concrete examples, the coalitions of LDCs and SVEs comprise some of the weakest and smallest economies in the world. Despite these structural liabilities, their imprint on the

¹⁸ Narlikar and Odell (2003).

¹⁹ Hamilton and Whalley (1989), Kahler and Odell (1989), Narlikar and Odell (2003), Tussie and Glover (1995) and Narlikar (2003).

²⁰ Theories of coalitions at the domestic level raise the issue of size in some depth, e.g. Riker (1962), Gamson (1964), Hinckley (1979) and 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).

²¹ Tussie (1995) and Higgott and Cooper (1990).

Doha Development Agenda is clear. It could be argued that several factors, not least divide-and-rule tactics by the Quad and the post-9/11 context may have contributed to these 'victories' (and limited substantive gains in other areas). But it is difficult to imagine that Paragraph 35 on the small economies and Paragraphs 42 and 43 on the LDCs would have formed a part of the Main Doha Declaration without the consistent and collective agenda-setting efforts of these two coalitions.

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.²²

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.²³ 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 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 G10 in the Uruguay Round typified these problems (to be discussed in the next section).²⁴

The susceptibility to fragmentation also depends on the type of negotiating strategy that the coalition uses.²⁵ 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 likely 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

²² The argument of the dominoes effect originates in Narlikar and Odell (2003).

²³ 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.

²⁴ Kumar (1995) and Narlikar (2003).

²⁵ The arguments about the strict distributive strategy leading to coalition fragmentation, and the importance of the credibility of the threat to block, originate in Narlikar and Odell (2003).

that collective position in the endgame.²⁶ 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.

Assuming that the use of a distributive strategy increases the risks of defection by members in favour 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 about issue-specific coalitions, Hamilton and Whalley argue:

And since countries typically wish to balance their positions across 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 countries).²⁷

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.²⁸ Due to scarcity of resources, some delegates and officials from international organisations 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 G20 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 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 liberalisation vs. protectionism, let alone differing preference hierarchies in relation to other issues. Third, it used a strict distributive strategy. It demanded concessions from the Quad and offered very little in return. All these features

²⁶ 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 by coalitions, see Narlikar and Odell (2003). On a typology of negotiating strategies and constituent tactics, see Odell (2000).

²⁷ Hamilton and Whalley (1989, p. 555).

²⁸ Narlikar and Odell (2003).

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.

4. SOCIAL LEARNING AND THE PRACTICE OF COALITION-BUILDING

The G20 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 G20 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.²⁹ 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 G20, having learnt from the failings of their predecessors, utilise 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 catalysed the emergence of a hard-line coalition of resistance, the G10.³⁰ 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.

²⁹ Narlikar (2003).

³⁰ The G10 in its hard-line version comprised Argentina, Brazil, Cuba, Egypt, India, Nigeria, Nicaragua, Tanzania, Peru and the former Yugoslavia.

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 together as the G20.³¹ This group further combined with the developed countries of the G9 and came to constitute the *Café au Lait* coalition (so named as it was led by Colombia and Switzerland).³² The draft of the *Café au Lait* coalition provided the basis for the Punta del Este Declaration that launched the Uruguay Round.³³

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 logrolling 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 shown 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.³⁴ Here was an issue-based coalition, acting as a mediator between the EU and the US, whose position was based on research and analysis rather than rhetorical demands. And the very fact that agriculture was finally within GATT rules was seen as evidence of the success of the issue-based coalition as a genre.³⁵

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, re-calculating their odds, and modifying their behaviour accordingly,³⁶ developing countries swung from vesting their faith in the

³¹ The members of the old G20 (and not to be confused with the G20 of Cancun) 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.

³² The G9 included Australia, Austria, Canada, Finland, Iceland, New Zealand, Norway, Sweden and Switzerland.

³³ 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.

³⁴ Higgott and Cooper (1990) and Tussie (1995).

³⁵ On a sceptical analysis of the actual victories and influence of the Cairns Group, see Narlikar (2003).

³⁶ Our account of learning fits in with the rationalist research agenda; for an analysis of different approaches, see Checkel (2001).

bloc-type alliances to the 'shifting coalitions' which focused on particular issues and combined developed and developing countries.³⁷ 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, had an agenda that conformed to the US agenda at the time: a condition that few other coalitions involving developing countries have been able to reproduce. 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 introduced for negotiation. The possibility of this happening further reduced the credibility of these coalitions and, in turn, jeopardised 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

³⁷ Tussie (2003).

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 G20 epitomises these smart coalitions of the third generation.

5. FEATURES OF THE G20: EXPLAINING INTRA-GROUP COHESION

It is noteworthy that even midway through the Cancun conference, delegates from developed countries and some international organisations indicated to us that they believed that the G20 was unlikely to survive in the endgame. In fact, they predicted, what would happen would be more along the lines of what had 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.³⁸ The fact that this did not happen can be attributed at least partly to the structure of the group and, perhaps more importantly, the strategies that it employed.

Admittedly, the initial strength of the G20 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 per cent 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 G20 was able to preserve its cohesion when other coalitions had failed lay in its strategies.

Despite the use of a strict distributive strategy outside, the group employed several strategies to preserve its internal coherence. Particular attention was paid to retain coherence among the leaders of the group, that is 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 G20 being subject to considerable pressure at Cancun.³⁹ For instance, the US is reported to have offered carrots in the form of tariff quotas to some of

³⁸ Such views seemed to persist until at least as late as 12 September.

³⁹ Interviews, Cancun (9–14 September, 2003).

the Central American countries and sticks that included the threat of slowing down regional integration. But the G20 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 liberalisation vs. the supporters of the Uruguay Round formula approach.⁴⁰ India, with its population of about 650 million farmers with smallholdings, 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 pre-empting these potential rivalries, and the G20 proposed a blended formula on market access. The 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'.⁴¹ In interviews, delegates also emphasised 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.⁴²

In another clever move to pre-empt differences within the group, the G20 managed to incorporate the concerns of the net food-importing countries and the LDCs. Hence, even with its predominantly liberalising agenda, the G20 made detailed references to S&D and non-trade concerns. By balancing the liberalising interests of some of its members with the protectionist concerns of some of its other members and supporters outside, the G20 stood out in contrast to the Cairns Group with its avid full free trade aim in the Uruguay Round.

The G20 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 G20 were members of the Alliance on SP and SSM such as Cuba, Pakistan, Philippines and Venezuela. The G20 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.⁴³ As such, the G20 epitomised the smart 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

⁴⁰ For a full explanation of the formulae and their implications, see www.wto.org

⁴¹ Paragraph 2.6 (ii), WT/MIN(03)/W/6.

⁴² Interviews, Cancun (9–14 September); phone interview with delegate from G20 country (1 October, 2003).

⁴³ Phone interview (3 October, 2003).

result of this analysis allowed the group to recognise 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,⁴⁴ the G20 was not simply a laundry list of demands.⁴⁵ As such, it was not simply a blocking coalition (despite the use of strict distributive strategy), but in fact a proactive agenda-moving one.

So far we have focused on the structure and strategies of the G20 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 it could be argued that 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 proximate cause for contention and the failure of the meeting. 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 G20 have still survived? It could well be argued that the crunch on agriculture never really came at Cancun as it was simply not discussed on the last day.

A different explanation would be that there has been a generalised lack of interest in trade liberalisation; the US and the EU, quite simply, didn't care enough about launching the new round,⁴⁶ and hence didn't go through the complicated machinations of breaking the G20. 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 regionalisation does not provide the most conducive environment for multilateral liberalisation.

To both explanations, our reply is as follows. Admittedly, the Singapore issues emerged as the apparent 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 recognised this and we have at least some evidence of their attempts to break the G20 and the Alliance on SP and SSM. Various tactics were used: rumours and prognoses about division to precipitate the dominoes effect, bilateral and regional carrots and sticks at delegates' level, and calls to capitals. We also recognise that context matters, but pressures go in several directions. It is worth recalling that

⁴⁴ Narlikar (2003).

⁴⁵ Note however that several attempts were made to paint the G20 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 (13 September, 2003).

⁴⁶ Garten (2003).

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 bring in development concerns, but movement remains essentially tied to the interests of the EU and the US. 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 members of the G20 were not tempted or coerced to defect; rather, they held together in spite of it.

The resistance of the G20 to the pressures at Cancun, in spite of the use of a strict distributive strategy, is commendable, but it still led to an outcome – impasse – that may turn to be adverse to developing countries. This impasse may well have been linked to an issue that was raised earlier in this paper: the importance of posing a credible threat. Even though the G20 had stuck together through the entire conference, previous experience of the EU and the US with such coalitions may well have led them to doubt the credibility of the G20 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 G20, 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 G20 threat. The EU and the US were simply not aware that this time, in an endgame that had developed into Chicken, the G20 would break with all precedent and would not swerve as a result of fragmentation. 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 G20 has set an important precedent. The coalition has demonstrated that unlike coalitions of the past that succumbed far more easily to divisive tactics in the endgame, at least some coalitions today have devised methods of maintaining internal coherence and also external weight to be able to hold out even in the face of some tempting side-deals. To avoid another showdown in the future, given that developing countries may resist breaking ranks when such critical issues as agriculture are involved, both sides may have to swerve on certain issues in the endgame.

6. CONCLUSIONS

Assuming that the G20 would have held out even in the endgame (even if the Singapore issues had been resolved), 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 G20 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 G20 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 least 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 strict 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 G20 had posed a credible threat. So what could be done to avoid a stalemate?

Whether or not the G20 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 G20 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.⁴⁷

Having unified itself and presented a credible threat with a distributive strategy, the coalition could then adopt an integrative strategy with much higher results than if it had an integrative or mixed strategy in the beginning of the negotiation. Integrative moves at the beginning of a negotiation may be interpreted as a sign of weakness, especially when developing countries are making such moves. But integrative moves made after demonstrating a credible threat to block are likely to yield significantly higher gains than impasse or gains that might accrue if a purely integrative strategy were used from the first instance. Depending on the substance of these integrative moves, it may be less expensive for the outside party to reciprocate with compromise rather than bear the costs of impasse. But using such integrative moves from a position of strength is conditional on the other party recognising that the coalition did present a credible threat to block in

⁴⁷ On the use of mixed strategies, see Odell and Sell (2003).

the first place. By demonstrating such an ability, and if the lessons of the Cancun experience do not go unlearned, the G20 may have set the background for a more fruitful negotiation for both parties in the next round of moves.

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.⁴⁸ 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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⁴⁸ These problems are illustrated with the case study of the LMG in Narlikar and Odell (2003).

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