

## CHAPTER 2

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# THE WORLD TRADE ORGANIZATION

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THE World Trade Organization was established on 1 January 1995. The WTO builds on the organizational structure of the GATT and its secretariat—to a significant extent it formalizes and extends the structure that had gradually evolved over a period of some 50 years. The Punta del Este Ministerial Declaration launching the Uruguay Round did not call for the creation of a WTO. In principle, it was not necessary to create an international organization to implement the outcome of the negotiations. The Canadian suggestion to establish a Multilateral Trade Organization in 1990—subsequently supported by the EU—was therefore something of a surprise.<sup>1</sup> The proposal was motivated by a desire to create a single institutional framework for world trade (Croome, 1999). This would encompass the modified GATT, the new agreements on services (GATS) and intellectual property (TRIPS), as well as all other agreements and arrangements concluded under the auspices of the Uruguay Round. The US initially opposed the idea, but after negotiations on the substance of the new organization, agreed to the framework that currently exists, including the name change.<sup>2</sup>

At Punta del Este it had been agreed that the negotiations were to be a ‘single undertaking’. With the proposal to create the WTO, the concept of a single undertaking was redefined to mean that all GATT contracting parties had to become a WTO member. There was no alternative—remaining a member of GATT 1947 would have

<sup>1</sup> For convenience, in this book we use the acronym EU to denote both the European Union and the European Communities. The latter is formally the correct appellation in WTO contexts.

<sup>2</sup> The choice of name was somewhat ironic given the attention that was being given to intellectual property rights, as the acronym WTO was already in use by the World Tourism Organization, a Madrid-based special agency of the UN.

no value given that it was an institutional entity that was effectively going to disappear. Developing countries therefore all joined the WTO, something that was not on the agenda at all when negotiations started in 1986. Although the US Congress remained suspicious of any limitations to its powers on trade policy, it also decided to join the new organization. During the ratification debate it became clear that the establishment of the WTO would not do much to change the status quo as far as the exercise of national sovereignty was concerned, as the GATT 1947 was a binding international treaty. However, the GATT was not an international organization, whereas the WTO is. Thus, WTO has the legal personality to sign agreements with states—which it used to negotiate and sign a headquarters agreement with Switzerland.

The establishment of the WTO was a significant event. Attempts to put the GATT on a more secure organizational footing had been made periodically since the failure of the US Congress to ratify the ITO. During a 1955 meeting to review the GATT, a number of contracting parties proposed establishment of an Organization for Trade Cooperation. This proposal was much less elaborate than the ITO but it also failed to win the approval of the US Congress (Jackson, 1990). The issue of providing an institutional framework for international trade reappeared again in the ECOSOC in 1963, based on a suggestion by a group of experts to create a new UN agency with universal membership and substantial powers in the sphere of international trade (Kostecki, 1979). The idea was that this body would implement recommendations of UNCTAD as well as other relevant policy decisions taken by organs of the UN. The proposal envisaged that the GATT would become the new agency's Committee on Tariffs. The proposal did not meet with much interest among the major trading nations. However, the 1964 UN General Assembly resolution establishing UNCTAD provided that it should be concerned with matters relating to the elaboration of a comprehensive trade organization. Nothing concrete came of this—despite lengthy discussions about the need for a New International Economic Order during the 1970s—in large part because of the widely differing views held by industrialized market economies and much of the developing world regarding the appropriate basis for international trade. With the creation of the WTO, an international trade organization emerged that is firmly based on GATT principles—reciprocity and nondiscrimination.

## 2.1. SCOPE, FUNCTIONS AND STRUCTURE OF THE WTO

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The Marrakech Agreement establishing the WTO charges the organization with providing the common institutional framework for the conduct of trade relations

among its members in matters for which agreements and associated legal obligations apply (Article II). Four Annexes to the WTO define the substantive rights and obligations of members. Annex 1 has three parts: Annex 1A entitled 'Multilateral Agreements on Trade in Goods', contains the GATT 1994 (the GATT 1947 as augmented by a large number of Understandings and supplementary Agreements negotiated in the Uruguay Round); Annex 1B, which contains the GATS; and Annex 1C, the Agreement on TRIPS. Annex 2 contains the Understanding on Rules and Procedures Governing the Settlement of Disputes—the WTO's common dispute settlement mechanism. Annex 3 contains the Trade Policy Review Mechanism (TPRM), an instrument for surveillance of members' trade policies. Finally, Annex 4—entitled 'Plurilateral Trade Agreements'—consists of agreements that bind only signatories. Together, Annexes 1–3 embody the Multilateral Trade Agreements. Article II WTO specifies that all the agreements contained in Annexes 1, 2 and 3 are an integral part of the WTO Agreement, and are binding on all members. All of these instruments are discussed further below or in the rest of this book.

The WTO has a number of functions. It is charged with facilitating the implementation and operation of the Multilateral Trade Agreements, providing a forum for negotiations, administering the dispute settlement mechanism, providing multilateral surveillance of trade policies, and cooperating with the World Bank and the IMF to achieve greater coherence in global economic policymaking (Article III WTO). The WTO is headed by a ministerial conference of all members, meeting at least once every two years (Figure 2.1). More frequent participation by trade ministers than occurred under the old GATT—where a decade could pass between ministerial meetings—was intended to strengthen the political guidance of the WTO and enhance the prominence and credibility of its rules in domestic political arenas.

Experience suggests that ministerial conferences often are not a very effective use of the time of ministers, especially those from smaller trading nations. This is because in negotiations the controversial issues require agreement between the major players. The latter may take a significant amount of time to strike a deal among each other, thereby marginalizing the potential for participation by ministers of smaller countries at a ministerial conference. Excluded from the main negotiating fora where the major players and a selected subset of other countries were trying to hammer out compromises at the Seattle ministerial meeting in late 1999, many ministers spent much of the time 'on call' or dealing with bilateral issues. Although procedural improvements and innovations were implemented to enhance transparency and participation at ministerial conferences—discussed below and in Chapter 14—the 'endgame' negotiations cannot involve 150+ negotiators.

In an effort to reduce transaction costs and limit the agenda of ministerial conferences, during the Doha Round increasing use has come to be made of so-called mini-ministerial meetings, involving a subset of WTO members. Although such meetings do not have a good track record in dealing with technical matters or substantive disagreements between major players, they played an important role in

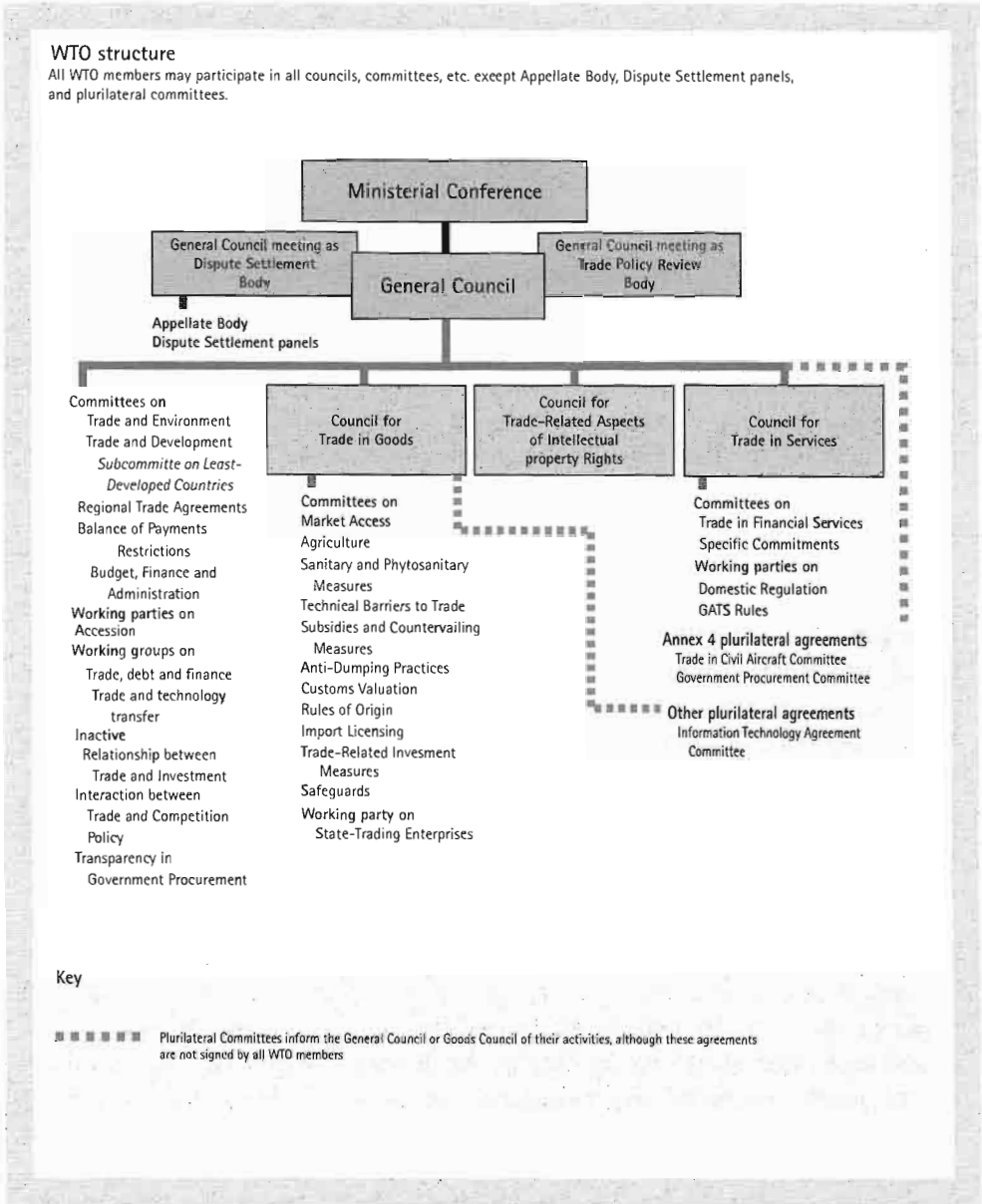


Fig. 2.1. The WTO structure

Source: WTO.

raising the political profile of WTO talks in member countries and getting countries with similar interests to converge on common positions. Many of the mini-ministerials involved countries that were members of regional groupings or specific negotiating coalitions.

Between meetings of the ministerial conference, the WTO is managed by a General Council at the level of officials. The General Council meets about 12 times a year. On average, some 70 per cent of all WTO members take part in Council meetings, usually represented by delegations based in Geneva. The General Council turns itself, as needed, into a body to adjudicate trade disputes (the Dispute Settlement Body—DSB) and to review trade policies of the member countries (the Trade Policy Review Body—TPRB).

Three subsidiary councils operate under the general guidance of the General Council (Figure 2.1): the Council for Trade in Goods; the Council for Trade in Services; and the Council for Trade-Related Aspects of Intellectual Property Rights. Separate committees deal with specific subject areas, such as trade and development; surveillance of trade restrictions actions taken for balance-of-payment purposes; surveillance of regional trade agreements; trade-environment linkages; and the WTO's finances and administration. Additional committees, subcommittees and working groups and working parties deal with matters covered by the GATT, GATS or TRIPS Agreement. Committees functioning under auspices of the Council on Trade in Goods exist on subsidies, antidumping and countervailing measures, technical barriers to trade (product standards), import licensing, customs valuation, market access, agriculture, sanitary and phytosanitary measures, trade-related investment measures, rules of origin and safeguards. In addition, working groups have been established to deal with notifications, state-trading enterprises, and to study the relationship between trade and investment, between trade and competition policy and transparency in government procurement.

Similarly, specific committees address matters relating to the GATS or TRIPS. Committees also exist to administer the Plurilateral Agreements—which apply only to those members that sign them (see Chapter 11). Given their nature, these are not under the guidance of the General Council but operate within the general framework of the WTO and inform the Council of their activities. There is currently one *de facto* 'plurilateral' committee that administers an agreement among a subset of WTO members that is subject to the MFN rule—the Information Technology Agreement. This is a so-called zero-for-zero agreement under which signatories agreed to remove barriers to trade on information technology products. Given that these products are covered by the GATT, this committee reports to the General Council. All WTO members may participate in all councils, committees, and so forth, except the Appellate Body, dispute settlement panels, the Textiles Monitoring Body, and committees dealing with plurilateral agreements.

All councils, committees, subcommittees, bodies, standing groups, working parties and negotiating groups are chaired by a WTO member, with the exception of the Trade Negotiations Council, the body that oversees MTNs. This is now chaired by the Director-General of the WTO. Generally only the more important trading nations (less than half of the membership) regularly send representatives to most meetings. Participation reflects a mix of national interests and resource

constraints. Least developed countries in particular tend not to be represented at many meetings, in part because they may have no delegation based in Geneva (see Annex 1) but more generally because they do not have the capacity or the interest to engage in all of the subjects that are dealt with by the WTO. All of the fora, plus working parties on accession (averaging close to 30 during 1995–2008), dispute settlement panels (370+ as of 2008), meetings of regional groups, heads of delegations, and numerous ad hoc and informal groups add up to 1,200+ events a year at or around the WTO headquarters in Geneva. Most WTO business is conducted in English, but many official WTO meetings require French and Spanish interpretation—all three are official languages.

The main actors in day-to-day activities are officials that are affiliated with the delegations of members. The WTO—as was the GATT 1947—therefore can be regarded as a network organization (Blackhurst, 1998). The WTO Secretariat is the hub of a very large and dispersed network comprising official representatives of members based in Geneva and their colleagues located in capitals. Ministries of trade, foreign affairs, finance, telecommunications, transport and agriculture, as well as specialized bodies such as customs authorities, central banks, health and safety standards administrations, environmental protection agencies, national patent and trademark agencies, and so on, all tend to have staff that deal with WTO matters and provide inputs into WTO activities. All these officials in turn are likely to work with and respond to national business and nongovernmental groups that have a stake in specific policies covered by the WTO or that seek to have additional measures put on the table. The operation of the WTO, therefore, depends on the collective input of thousands of civil servants and government officials that deal with trade issues in each member country. Initiatives to launch MTNs and settle disputes—the two highest profile activities of the WTO—are the sole responsibility of WTO members themselves, not the secretariat.

The member-driven nature of the organization puts a considerable strain on the delegations in Geneva. Many countries have no more than one or two persons dealing with WTO matters; some have no representation in Geneva at all. Active players in WTO fora tend to have large delegations, although officials will often also cover meetings at UNCTAD, the World Intellectual Property Organization (WIPO), the International Labor Office (ILO), the World Health Organization, the Economic Commission for Europe and other international organizations located in Geneva.

The WTO Secretariat, which has its offices at the Centre William Rappard in Geneva is relatively small—standing at some 600 people, about one-third of whom are translators and support staff. This figure does not include the 22 staff members and judges of the WTO Appellate Body, which is independent of the WTO Secretariat but is housed in the same building. The secretariat's role is to provide members with technical and logistical support, including organizing meetings of governing bodies and preparing background documentation when

requested by committees or the Council. It has very little formal power to take initiatives. For example, the Director-General has no authority to initiate dispute settlement proceedings against a member, no matter how blatantly it may have violated WTO rules. Nor can the secretariat interpret WTO law or pass judgement on the conformity of a member's policy with WTO rules. This is the sole prerogative of members, although a key task of the secretariat is to facilitate dispute resolution by supporting the work of panels. There is also little scope for the WTO Director-General to determine the topics to be put on the WTO agenda. The general situation was well described at an informal meeting during the Uruguay Round, where a diplomat addressing the Director-General noted: 'Sir, there is a difference between you and me; I am a Contracting Party and you are a Contracted Party'.

The secretariat plays an important role in reducing transaction costs by distributing information and enhancing transparency by undertaking periodic reviews of member trade policies. The latter is one of the few areas where the secretariat has been given a mandate to undertake action on its own responsibility. A significant proportion of WTO staff time is dedicated to participation in workshops and seminars in developing country members, an area of activity that expanded greatly after 2000. Even though the mandate of the WTO Secretariat is formally limited, staff can have substantial influence as a result of institutional memory and expertise. The less knowledgeable and assertive is a chairman of a given working party or committee, the stronger the influence of the secretariat is likely to be. The Director-General, the head of the WTO Secretariat, is in some sense the guardian of the collective interest of the member states. The WTO's rules and procedures allow the Director-General to act as a broker in many situations. Historically the head of the secretariat has often played a major role in encouraging and cajoling countries to maintain and strengthen multilateral cooperation in trade (Box 2.1).

## Finances and budget

The financial contributions to the budget of the WTO are based on GATT 1947 practice. The WTO's income comes from assessed contributions calculated on the basis of each member's share in the total trade of all WTO members, computed as a three-year average of the most recent trade figures (if this share is less than 0.015 per cent, a minimum contribution is assessed). In 2008, the nine largest trading nations contributed close to two-thirds of the total administrative budget. The EU contribution is assessed separately for each of its member states, and includes intra-EU trade. This makes the EU by far the largest contributor to the budget, accounting for over 40 per cent of the total. The WTO Appellate Body has a budget that is independent of the WTO's.

### Box 2.1. The Director-General, 1948–2008

The first Director-General of the GATT (or Secretary-General as the post was called in the early days of the GATT), Sir Eric Wyndham White, was a charismatic figure who managed the GATT for over 20 years. The very survival and functioning of the GATT and its secretariat in the post-war period was to a large extent the result of his creativity and experience (Curzon, 1973). In 1968 he was followed by Professor Olivier Long—a distinguished Swiss diplomat, academic and lawyer—who was the man at the wheel during the Tokyo Round. Long was followed in 1980 by Ambassador Arthur Dunkel, a Swiss trade official. A skilful mediator, he managed the launching of the Uruguay Round, playing a central role at almost every turning point and crisis that affected the negotiations. Through quiet and tenacious diplomacy he made an important contribution to the final package of the Uruguay Round, which was largely based on the so-called Dunkel Draft of 1991. As noted by Rubens Ricupero (1998), Dunkel was not to set foot on the ‘Promised Land’, and it fell to the next DG, Peter Sutherland, to finalize the negotiations in 1993 and to usher in the WTO at the 1994 ministerial meeting in Marrakech.

The appointment of Sutherland, a former EU Commissioner, marked a change in the type of person chosen by members to run the secretariat. Whereas the Director-General previously had always been an official, with the creation of the WTO the job has come to be filled by politicians. The higher public profile of the WTO also caused the selection process to become more difficult. In 1995, Peter Sutherland was succeeded by Renato Ruggiero. A former Trade Minister of Italy, Ruggiero was a controversial appointment, opposed by the US and many developing countries preferring a non-European candidate. As a compromise Mr. Ruggiero was given only a four-year mandate, rather than the regular five-year term, and it was understood that his successor would not be a European.

Upon his departure in early 1999, drawn-out and fractious consultations among members failed to arrive at a consensus on the selection of his successor. Out of an original field of four candidates, two from developing and two from OECD countries, members split between two candidates, both of whom lobbied hard for the job: the Right Honourable Mike Moore, a former Prime Minister of New Zealand, and H. E. Dr Supachai Panatchpakdi, a former Deputy Prime Minister of Thailand. In the end, a compromise deal was struck under which it was agreed that each candidate would become Director-General—sequentially—for a shortened, nonrenewable term of three years each. The process was widely regarded as the most contentious and divisive in the history of the GATT/WTO up to that point, and a symptom that the governance of the trading system needed to be improved.

Mr Moore started his term in 1999 and oversaw the contentious Seattle meeting as well as the ministerial that launched the Doha Round. Dr Supachai Panatchpakdi, the first DG from a developing country, served his three-year term beginning in 2002, and played a key role in the 2003 Cancun ministerial. In September 2005, following a process in which a number of candidates lobbied actively for the job, Pascal Lamy, a French national who had been the European Commissioner for Trade until 2004, was appointed as DG with a four-year term. The three other candidates competing for the post were all from developing countries: Carlos Pérez del Castillo of Uruguay, Jaya Krishna Cuttaree of Mauritius and Luiz Felipe de Seixas Corrêa of Brazil. In 2009, Mr Lamy was reappointed for another four-year term.



In addition to regular budget contributions, WTO members provide additional grants for specific purposes such as technical assistance or training of officials from developing countries. During the Doha Round, members agreed to create a special trust fund in which all grants for technical assistance would be placed by donors, with the Secretariat reporting to the WTO Committee on Trade and Development on the use of funds. At the time of writing the trust fund had an annual budget of some CHF25 million, equivalent to some 10 per cent of the WTO budget. In 2008, the budget of the WTO Secretariat was CHF180 million; with another CHF4.4 million for the Appellate Body and its secretariat. EU Member States and the European Commission have contributed around two-thirds of the total funding for the Doha Development Agenda Global Trust Fund since it was first set up in 2002. With an annual budget of CHF24 million (ca. €15 million), the Fund is the WTO's main multilateral technical assistance and training programme, organized and managed by the WTO's Institute for Training and Technical Assistance. Its activities are mainly geared towards officials from developing and transition economies (including countries in accession), with priority given to LDCs.

## 2.2 DECISION-MAKING

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Most decision-making in the WTO is based on bargaining and consultation. As was the case under the GATT 1947, consensus is the *modus operandi* of the institution. Unlike the World Bank or the IMF, the WTO does not have an executive body or board comprising a subset of members, some of whom represent a number of countries. Such executive boards facilitate decision-making by concentrating discussions among a smaller but representative group of members. The closest the GATT ever came to such a forum was the Consultative Group of Eighteen (CG18), which was established in 1975. It ceased meeting in 1985, and never substituted for the GATT Council of Representatives (Blackhurst, 1998).

Even in cases where GATT rules called for a formal vote—such as on the granting of waivers of GATT obligations to a country (Article XXV GATT)—negotiation and consultations would seek to establish a consensus text before a formal vote was held (Jackson, 1997). Consensus was facilitated by another GATT tradition—not to allow progress to be frustrated by one party's obstinacy—unless it happened to be one of the major trading powers. Decision-making by consensus is a useful device to ensure that only decisions on which there is no major opposition—and consequently that have good chances of being implemented—are made. This is

important because the WTO has few means of forcing unwilling governments to implement decisions.

Consensus in GATT/WTO practice does not imply unanimity. Instead it signifies that no delegation participating in a General Council or ministerial conference has a fundamental objection on a specific matter. Those that are not present—or abstain—do not count. However, exactly what is implied by consensus remains somewhat unclear. For example, in the Doha ministerial meeting, India insisted on ‘explicit consensus’ for launching negotiations on new subjects such as competition policy. What this meant, and how it differs from ‘normal’ consensus, was never defined.

Achieving consensus can be a complex process, in part because it may require issue linkages and logrolling. Consensus reinforces conservative tendencies in the system. Proposals for change can be adopted only if unopposed—creating the potential for paralysis. At the end of the 2003 Cancun ministerial conference, Mr Pascal Lamy—at that time the EU trade commissioner—blamed the consensus principle for the Conference’s failure, noting that it greatly complicated the process of obtaining agreement (*Financial Times*, 16 September 2003). Offsetting the inherent complexity and cost associated with consensus is that once it has been achieved the decisions that are taken should have substantial legitimacy. The consensus practice is of value to smaller countries as it enhances their negotiating leverage—especially if they are able to form a coalition—in the informal consultations and bargaining that precede decision-making. It is in this connection that the quality of a country’s delegation can be significant in determining its effective influence.

Achieving consensus among 150+ countries is clearly not a simple matter. World Trade Organization members have developed various mechanisms to limit the number of countries in specific deliberations. The first and most important device is to initially involve only ‘principals’. To some extent this is a natural process—a country that has no agricultural sector is unlikely to be interested in discussions centring on the reduction of agricultural trade barriers. In general the EU and the US tend to be part of most groups that form to discuss a specific topic. They are supplemented by countries that have a principal supplying interest in a product, and the major (potential) importers whose policies are the subject of interest because they offer large markets. Most of the poorer members have generally taken a back seat in WTO deliberations. Another mechanism is coalition formation. A group of influential emerging economies, including Argentina, Brazil, Mexico, Egypt, India, South Africa, the ASEAN members and more recently China, actively participate in WTO fora. Many of these countries coalesced in the G20, a coalition that had great influence in the Doha Round. A third mechanism is to appoint chairpersons that have established a reputation for objectivity and neutrality, and who represent countries that do not have a major stake in the subject at hand. The chairpersons of WTO negotiating groups play an important

role in helping negotiators define possible compromises, clarifying the interests of the parties involved and identifying potential solutions (Odell, 2005). They often are nationals of smaller nations.

In the Tokyo Round, contentious matters on which deals had to be struck were often thrashed out in the so-called Green Room, a conference room adjacent to the Director-General's office. Green Room meetings were part of a consultative process through which the major countries and a representative set of developing countries—a total of 20 or so delegations—tried to hammer out the outlines of acceptable proposals or negotiating agendas. Such meetings generally involved the active participation and input of the Director-General. A convention has since emerged to call such meetings Green Room gatherings, no matter where they are held. Once a deal has emerged among the principals, it is submitted to the general WTO membership. Although amendments may be made, these are usually marginal given that those that are most affected by—and have the greatest interest in—the subject are all on board.

The Green Room process has great potential to lead to controversial outcomes if countries with strong interests in a subject are excluded or not kept informed and consulted on proposed deals. This became a contentious issue during the Seattle ministerial meeting. Many developing countries that were excluded from critical Green Room meetings where attempts were being made to negotiate compromise texts of a draft agenda for a new MTN felt that they were not being kept informed of developments and were not being granted the opportunity to defend their views. After the Seattle Conference a large number of African and Latin American WTO members denounced what they considered the 'exclusive and nondemocratic negotiating structure' of ministerial meetings (Sutherland, Sewell and Weiner, 2001).

As discussed further in Chapter 14, proposals have been made periodically to formalize the Green Room process by creating an executive committee to manage the WTO agenda, based on shares in world trade (Schott and Buurman, 1994; Pedersen, 2006). To date, no progress in this direction has proven possible in the WTO. Although there was widespread dissatisfaction with the organization of the Seattle and Cancun ministerial conferences, subsequent discussions on 'internal transparency and effective participation of members' revealed that there was no serious interest among most of the membership to explore the merits of creating an executive body.<sup>3</sup> On the contrary, the Doha Declaration emphasized the collective responsibility of ensuring the effective participation of all members (WT/MIN(01)/DEC/1, para. 10). To some extent the problem is addressed by the consensus principle, which requires that all members be on board before a proposal or agreement can be adopted. Efforts to enhance the transparency of the Green

<sup>3</sup> See WT/GC/M/57, paras. 132–70.

process and consult with the rest of the membership—as was done during the Doha Round through the vehicle of ‘friends of the chair’ and ministers acting as ‘facilitators’ for specific subjects to build a bridge between insiders and outsiders—helped attenuate perceptions of effective exclusion. However, although transparency, consultation and consensus provide some reassurance to countries that they will be able to reject deals that are not in their interest, it does not ensure that those who want a seat at the table where deals are hammered will get one. The outlines of the deal that led to the launch of the Doha Round in Qatar were negotiated in a nine-hour Green Room meeting among 22 ministers, with no consultation or briefing of other members during the meeting (Pedersen, 2006).

## Voting and influence

Recourse to voting may be made if a consensus cannot be reached. Article X WTO specifies when voting is called for (see Table 2.1). If required, voting is based on the principle of ‘one-member-one vote’. This distinguishes the WTO from the IMF and World Bank, where weighted voting is extensively used. Unanimity is required for amendments relating to general principles such as MFN or national treatment. Interpretation of the provisions of the WTO agreements and decisions on waivers of a member’s obligations require approval by a three-quarters majority vote. A two-thirds majority vote is sufficient for amendments relating to issues other than general principles mentioned above. Where not otherwise specified and where consensus cannot be reached a simple majority vote is in principle sufficient. As matters requiring a majority vote situation by design will not be central to the functioning of the WTO, this is not likely to lead to conflicts. In all cases, in contrast to the consensus practice, if voting occurs the majority required is relative to all WTO members; not with respect to those members that happen to be present at a particular meeting.

Table 2.1. Decision-making in the WTO

Decision Rule	Type of Issue
Unanimity	Amendments concerning general principles such as nondiscrimination
Three-quarters majority	Interpretations of the provisions of the WTO and waivers of WTO disciplines for members
Two-thirds majority	Amendments to the WTO relating to issues other than general principles; accession
Consensus	Where not otherwise specified

A member is not bound by any amendment that passes a vote if it is opposed to it, and the change is such as to alter its rights and obligations (Article X WTO). The ministerial conference may decide to ask a member that does not accept an amendment to withdraw from the WTO, or grant it a waiver. As the major traders must remain part of the WTO for it to retain its value, it is difficult to imagine them being asked to withdraw. Large players therefore cannot be forced to adopt changes they are unwilling to accept voluntarily. In practice voting rarely occurs. World Trade Organization members decided in 1995 not to apply provisions allowing for a vote in the case of accessions and requests for waivers, but to continue to proceed on the basis of consensus (WT/L/93). Legislative amendments are quite rare, as in practice changes to agreements occur as part of broader multilateral rounds. To date there has been only one formal amendment to a WTO agreement (TRIPS—see Chapter 8).

A country's influence in the WTO depends largely on its share in world trade and the size of its market (GDP). A country's trade-policy stance is irrelevant: free traders do not have any more say in the WTO than countries with highly protectionist regimes. The major players are therefore the major trading powers—the EU, the US and more recently China. The EU, through the Brussels-based European Commission, is a major player both because a number of EU member states are among the largest trading nations, and because individual member states no longer have full sovereignty over trade policy: this has been delegated to the European Commission.<sup>4</sup> Historically, countries that accord great importance to multilateralism—such as Australia, Canada, the Nordic countries, Switzerland—have been active in the WTO. For specific policy issues, the level of influence is also determined by the importance of the matter for the country. For example, Argentina, a relatively small trading nation, is an important grain exporter and has more influence on decisions concerning international trade in grains than on a topic such as telecommunications. Issues that arise are often product-specific. What matters then is the country's share of world trade in the product involved, and the importance of the products concerned in total exports of the country. This product-specificity explains much of the bilateral or plurilateral nature of the interactions that take place in the WTO.

Of the top 20 traders as measured by shares in world exports and imports, only one—Russia—is not yet a WTO member at the time of writing (Table 2.2). There is a close correlation between the top 20 and who's who in the WTO. Although industrialized market economies have historically dominated the list, in recent years a number of developing countries have become major traders. While this is in

<sup>4</sup> As EU Member States still have sovereignty over many dimensions of services regulation and intellectual property law, individual EU members each have a vote in the WTO if recourse is made to voting. The 'payment' for this is that each member pays dues to the WTO based on its total trade, including intra-EU.

Table 2.2. Top 20 traders, 2007 (US\$ billion and percentage)

Rank	Exporters	Value	Share	Rank	Importers	Value	Share
1	Extra-EU (27) exports	1,695	16.5	1	United States	2,017	19.0
2	China	1,218	11.8	2	Extra-EU (27) imports	1,949	18.4
3	United States	1,163	11.3	3	China	956	9.0
4	Japan	713	6.9	4	Japan	621	5.9
5	Canada	418	4.1	5	Canada	390	3.7
6	Korea, Republic of	372	3.6	6	Hong Kong, China	371	3.5
7	Russia	355	3.5	7	—retained imports	96	0.9
8	Hong Kong, China	350	3.4	8	Korea, Republic of	357	3.4
	—domestic exports	19	0.2	9	Mexico	297	2.8
	—re-exports	331	3.2		Singapore	263	2.5
9	Singapore	299	2.9		—retained imports	120	1.1
	domestic exports	156	1.5	10	Russian Federation	223	2.1
	re-exports	143	1.4	11	Taipei, Chinese	220	2.1
10	Mexico	272	2.6	12	India	217	2.0
11	Taipei, Chinese	246	2.4	13	Turkey	170	1.6
12	Saudi Arabia	229	2.2	14	Australia	165	1.6
13	Malaysia	176	1.7	15	Switzerland	161	1.5
14	Switzerland	172	1.7	16	Malaysia	147	1.4
15	Brazil	161	1.6	17	Thailand	141	1.3
16	United Arab Emirates	154	1.5	18	Brazil	127	1.2
17	Thailand	152	1.5	19	United Arab Emirates	121	1.1
18	India	145	1.4	20	Saudi Arabia	94	0.9
19	Australia	141	1.4				
20	Norway	139	1.4				

Notes: Trade of EU states is not reported separately as the EU operates as a bloc in the WTO. Retained imports are defined as imports less re-exports.

Source: WTO.

part due to the fact that the EU now spans 27 countries, all of the developing countries listed in Table 2.2 are important trading nations. Countries such as Brazil and India have traditionally exerted substantial influence both because of their economic size and because they have often acted as spokespersons for other developing countries.

Although small developing economies by definition are not major traders, they can be—and have been—influential in the WTO. In part this is the result of the consensus principle and the tendency for small countries to cooperate and establish joint positions on issues. Small countries can also act as honest brokers between larger players. A case in point was the role played by HE. Ali Mchumo, the Tanzanian Ambassador to the WTO, who was chairman of the WTO General Council during 1999 and in that capacity played a significant role in the difficult process of selecting a new Director-General.