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Misadventures of the Most Favored Nations

by Paul Blustein

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Paul Blustein has in this book chronicled ten years in the history of the WTO, from 1998 to 2008. Or you might think of it as the 'running history' of the Doha Round of multilateral trade negotiations, since it is very much focused on the ups and downs of the Round. But it might also be a wider historical assessment of the virtues and defects of the multilateral trading system, as it has evolved from GATT to WTO. Take your pick.

This opening paragraph is a broad indication of the book, and of the several subjects that it analyses. Blustein himself says his purpose is to demystify the WTO, and in a comprehensive summary in chapter 1 he sets the scene with a general introduction to the panorama of world trade in 2008–09 and some of its difficult problems. Thus we start in the depths of the financial and banking crisis which so dramatically cut the volume of world trade and seemed likely to revive the worst protectionist instincts of the 1930s. WTO's basic principles are being eroded, from the many regional agreements which undermine non-discrimination, and the looming danger of protective measures to enforce a climate change treaty. The very survival of the system is being threatened.

Blustein had a long career as a journalist and has followed international and domestic US trade issues for many years, especially between 2000 and 2006. He then retired from the *Washington Post*.¹ As you might expect, his book about the World Trade Organization has several structural elements drawn from his career experiences in investigative journalism (press briefings, interviews with participants, and anecdotal stories). This allows him to write about a rather esoteric dry subject matter with a lighter touch, yet with considerable accuracy.

Blustein was therefore directly engaged with his subject, and – like your reviewer – was present at, or closely linked to, many of the events that he describes.² This gives the book a striking sense of immediate proximity to events, and some of the sections that work best are ones where the story is close to being a day-by-day report in journalistic style of the political manoeuvring and detailed cut and thrust of negotiation during the Ministerial conferences of the WTO era – in Seattle, or in Doha itself, or in Cancun.

After the broad synopsis in the first chapter, more specific matters of general background need to be explained: the role of the principal decision-making body, the General Council, the role and resources of the WTO in contrast to the IMF and World Bank, and – given that the trading system is a mystery to the outsider – the training that

1 This becomes clear from the notes section at the end of the book which contains numerous references to his articles for the *Post*, as early as 1994. The comments on his earlier books on the back cover attest to his skills as an investigative journalist: his analysis of the IMF is 'superbly reported – a skillfully woven story – documenting costly mistakes' and 'a model of investigative journalism'.

2 Your reviewer was a top EU trade negotiator in the 1980s and 1990s, EU Ambassador at the WTO at the time of the Golden Jubilee meeting, and present in Seattle and in Doha. From 2002 to 2005, he was a participant in the Doha Round from within the WTO Secretariat.

it provides for third world officials. Blustein traces some of the history since Havana in 1947: the rise of the G77 as a grouping of developing countries, the consultation mechanism in the 'Green Room' process, the managed trade of the 1980s: and unilateral tendencies in the USA. The time had come to complete the Uruguay Round and establish a new institution – finally named the WTO.

With a quick flashback to the events of 1993 and the added sectoral deals that were done, we come closer to the origins of the Doha Round. A section on attitudes in 1998, at the time of the fiftieth anniversary of the trading system, is a stark reminder of the anti-globalization, anti-capitalism, and anti-WTO forces then at work, with slogans such as 'Kill the WTO'. What a difference ten years makes; that is very much yesterday, and civil society (as it was called) has become more accustomed to some of the advantages of globalization (the Internet and instant electronic banking, for example), and in any case now realizes that the WTO was not the parent of those trends. But the forces of liberalization and more open markets were massing for a further round.

The 'opposition forces' coalesced during 1999 into a broader grouping which was highly organized prior to the Seattle Ministerial, with the aim of bringing the conference to a halt or at least derailing its aims to launch a new Round. Blustein is at his best in describing the preparations (and in Seattle itself the under-estimation of future events) as well as the way in which the battles between protesters and law and order progressed with major disruptions to the conference. He also encapsulates, in half a page, the conflicts among WTO members many of whom had objectives which were anathema to others, thus laying the ground for the eventual collapse of the conference with no agreed result.³

In the following chapters, we actually arrive in Doha, with the preparatory work conducted in harmony between the US (Bob Zoellick) and the EU (Pascal Lamy).⁴ This period is largely told from the American viewpoint, and would probably be written differently if European and developing country concerns were equally covered. The dramatic impact of the 9/11 terrorist attacks on the conference is well documented, and the detailed account of the conference proceedings – as in Seattle – is told in a riveting style.

To some observers this was the high point and the Round has gone downhill ever since. Through 2002 and 2003 a series of deadlines for agreement on agricultural 'modalities' (the precise means by which agreed tariff cuts and subsidy reductions could be realized, in a balanced fashion fair to all) were missed. Blustein ably traces the decline of the exercise, with other sectors becoming increasingly conditional on forward movement in agriculture and a complex series of negotiating guidelines adding to the general sense of bafflement.

In the cycle of death, followed by resurrection – as Blustein calls it – the Cancun conference was when Doha was first pronounced dead. From there onwards, Zoellick and Lamy had to work hard to achieve a revival with a minimal agreement in July 2004, another detailed episode told with astonishing detail as regards the surprising

³ See page 68: Europeans wanted the 'Singapore issues', developing countries were bitterly opposed; farm exporters wanted access to third markets and elimination of some subsidies, others in Europe and Asia opposed that; the USA wanted labour rights to be included, which was anathema to everyone else; and developing countries wanted to reopen the terms of the Uruguay Round deal, done in 1993.

⁴ There are extended character pictures of both leaders, and their backgrounds, personal and political.

roles of various actors in the high level drama.⁵ Their successors (Rob Portman and Peter Mandelson) then tried to push the boat further forward in Hong Kong in 2005, but without similar success.

Blustein continues to track the downhill trajectory of the negotiation, with an agreement on agriculture becoming more and more a pre-condition for progress in industrial market access, in fisheries, in services trade, and in other sectors. Susan Schwab succeeded Portman (the third USTR in five years, and the fifth since the end of the Uruguay Round); at the end of 2006 the American Trade Promotion Authority expired and Lamy (now at WTO) suspended negotiations altogether. A further 'casus belli' was the reduction of US farm subsidies; clearer market access commitments from Brazil, India, and other developing countries were required before the US would move. In 2007, efforts to resume were stymied by another major disagreement on these market access issues among the four main players (US, EU, Brazil, India) at Potsdam in Germany.

The grand finale – in the book and in WTO reality – was approaching. Blustein's account of the 'last throw' by the Director General Lamy in July 2008 is a masterpiece. Drawing on the notes of participants in a negotiation among a selected group of Ministers, which lasted for nine days, he unravels a picture which is very different from that presented officially at the WTO. Whereas the US laid much of the blame on India, and to some extent on China, it appears that in fact the American team withdrew its support from the Director General's outline deal – which in any case was limited to a selection of major controversial issues. It is far from certain that it would have commanded a consensus.

Assessment

As a practitioner and trade negotiator from the early 1970s to 2005, it is natural for me to look at this book as a general record of the Doha Round, from the preliminary stages before the launch and through the negotiations themselves from 2001 to date. In this perspective, it starts effectively at Chapter 3 in the period running up to the WTO Ministerial meeting in Seattle. At that time, I was the EU Ambassador in Geneva.

The WTO was still a young (three years old) and untested organization, even if much of its rules and most obligations had a 50-year history in the preceding GATT. But members had to take their commitments more seriously, and new powers in the area of dispute settlement soon showed that enforcement of trade rules was going to be more rigorous than in previous decades. This translated into an interest from activists – on labour rights, environmental concerns, and human rights – to have their problems handled under the WTO rules.

Blustein has carefully researched his subject and understood these trends, as is illustrated by several chapters, which are of a broader nature, delving into the history of GATT/WTO and reflecting on wider trade issues such as dispute settlement (in Chapter 8) or on the difficulties and deficiencies of the negotiating process. These

⁵ Players such as Tim Groser, an Ambassador and chair of the agriculture group; the so-called Five Interested Parties who could not reach a rapid agreement, to the irritation of other players; Zoellick himself, Kamal Nath, the Indian Minister, and Supachai, the WTO Director General.

are essential to help the reader understand the background to the international trade policy scene and why trade negotiations among a large number of countries have become very difficult to manage.

Blustein himself records that he was anxious to produce a fair and balanced story, not over-dependent on American interpretations of events, drawn from US sources which were close at hand.⁶ Inevitably, the close linkages with leading American personalities, such as Zoellick and Schwab, influence the story, but it has to be admitted that they had central roles in the Doha Round and in some key moments in Doha itself, in Cancun and its aftermath, and in Geneva in July 2008. We should recognize however that his efforts to present a more balanced picture have been fairly successful, as is shown by the full resumes of European (Lamy and Mandelson), Indian (Maran and Kamal Nath), and Brazilian negotiators (Amorim) that are included, as well as their policies and negotiating objectives.

There are of course other elements which clearly demonstrate that there is still an American view of the world. A good example is in the way that terrorism is portrayed. Right at the beginning, Chapter 1, page 1, there is a dramatic passage about the risks of dying in Doha, and similar anecdotes permeated by fear start and conclude Chapter 6, which is the account of that conference. These illustrate the phenomenon of the 'war on terrorism' declared by President Bush and its impact on the American psyche. Certainly, there were risks; indeed the fact of 9/11 played some part in the success of the Doha conference (the 'international solidarity' effect), but a European perspective would have placed emphasis on the strong police and security presence in a relatively closed kingdom such as Qatar, with many journalists and civil society activists excluded as well as more troublesome elements. The atmosphere on the EU charter flight shared with some other European delegations was much more relaxed.⁷

The book offers some remarkable insights into the evolution from a more easy-going, political, compromise-seeking GATT to the current, much more 'legalized' framework of the WTO. One of the major emerging trends within the system – the emergence of China as a top trading power – and the impact that this is having on the framework of the rules and on other countries is also effectively analysed. The book deserves to be considered as a serious study of the multilateral trading system, of the ever-widening scope of its rules, and the associated negotiating problems.

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6 The chapter entitled 'His Holiness Pope Bob' is one example among many of the intensive briefing that a well-connected American journalist can obtain in Washington. There are many more American interviewees (see page 298–299) than there are from any other major participant. But that is rather normal, and the section giving sources for the text (page 302 on) shows that Blustein frequently used European sources, such as Reuters, *The Financial Times* and the ICTSD publication *Bridges*, as well as American journalists and publications.

7 Although it is strictly outside the purview of the book I am tempted to comment: no other country has placed elements of its trade policy (checks on imports of fruit and foodstuffs) and of its tourism and higher education efforts (visas for students and visitors) under a blanket of homeland security.