



INSTITUTE FOR GLOBAL DIALOGUE

Issue 112/October 2014

GLOBAL INSIGHT

a focus on current issues

The G77 + China's role in trade multilateralism: Advocating for South Agency

Sibulele Walaza

Ms. Walaza is a scholar of International Relations with a special focus on the Global Political Economy. She most recently worked in an international economic development consultancy and has extensive experience in policy-oriented research having worked as a researcher in news and current affairs.

Global Insight aims to provide members of the policy community with concise but trenchant analyses of topical issues. Comments and suggestions are invited.

Introduction – about the G77

Developing countries have for several decades sought to align their aspirations and collectively express their interests in global fora. The largest intergovernmental organization of developing countries, the Group of 77 and China (hereafter G77), marked its 50th jubilee in June 2014. It was founded on 15 June 1964, when 77 developing countries signed the 'Joint Declaration of the Seventy-Seven Developing Countries' at the end of the first session of the United Nations Conference on Trade and Development (UNCTAD) in Geneva.¹

The Group has since grown to a membership of 132³, but retained the initial name for its historical significance. It has developed a special relationship with China, as the biggest developing economy that has also since grown to be a major actor in international trade.

The G77 provides a platform for the 'countries of the South to articulate and promote their collective economic interests and enhance their joint negotiating capacity on all major international economic issues within the UN system, and promote South-South cooperation for development'.⁴ Indeed, developing countries have, through the G77, been able to express unified positions that seek to influence the international agenda on the basis of the same principles enunciated in 1964.⁵

The G77's advocacy in trade multilateralism has been focused on two key issues in the formalised negotiations through the World Trade Organisation (WTO) and its predecessor, the General Agreement on Tariffs and Trade (GATT). One is the establishment of a fair and equitable multilateral trade system and the other has been facilitating accession of developing countries to the multilateral organisation. This is informed by the consolidated belief by states and theorists alike that a globalising

world relies on mechanisms to manage the growing complexity of interactions and that mechanism has been – international organisations⁶, such as the WTO. Significant strides have been made regarding the latter, as developing countries comprise a significant membership of the WTO today. Global trade benefits for developing countries have, however, remained marginal. The contestations at global fora are largely expressed in the common positions of developing countries that are often in contrast to those of developed countries.

This policy brief focuses critically on how the G77 exercises its agency in the WTO including its efforts to strengthen trade cooperation amongst developing countries.

Group Representation in the WTO

Common regional and sub-regional positions are central to resolving issues under negotiations within the WTO as they are hammered out within groups that can leverage their consensus on agreed interests. Although not an entity in the WTO, the G77 is clear on its support for the rules-based multilateral trading system, regarding it as a fundamental instrument for ‘the promotion of economic development, the facilitation of developing countries’ integration into the global economy and the eradication of poverty’.⁷ Amongst the groups in negotiation at the WTO, the significant membership of the G77 are members of the African group, the African, Caribbean and Pacific (ACP) group and least-developed countries (LDCs).

Members of some key interest groups within the WTO are also drawn from the G77, demonstrating the nuanced differences amongst developing countries regarding trade advocacy. The varied positions on addressing the contentious agricultural trade issue are a prime example of where G77 members are not unified. Some belong to the Cairns Group, a coalition of agricultural exporting countries, who advocate for reformed agricultural trade and have a commitment to achieve free trade in the sector since the Uruguay Round, along with a few developed countries. There is also the G20⁸, an exclusive alliance of developing countries advocating for reforms of agriculture in developed countries. The ACP group of developing countries with preferences in the EU have

similar contentions with agricultural trade. Then there are the small, vulnerable economies (SVEs) agriculture group and the coalition of developing countries seeking greater market access for tropical products, as well as the G33 coalition of developing countries seeking for flexibility for developing countries to undertake limited market opening in agriculture.⁹

Developing countries in these groups are largely responding to the continued subsidisation of agriculture by industrialised nations who in the same vein, advocate for open markets in developing countries. Developing countries and Africa’s exports in particular, continue to be dominated by primary commodities hence the focused approach in the negotiations on addressing the unjust agricultural subsidies in developed countries. The apprehension from G77 affiliated countries is generally of further marginalisation in trade gains, stemming from the GATT years. Although interests and emphasis, even amongst African countries are varied, there has been a growing realisation that countries are more effective when objections are presented in a group, rather than individually.

The G77 therefore pronounces on macro issues that are of general interest to developing countries, such as trade distorting agricultural policies, in this case, while its divided membership advocates for particular common causes in the key groups within the WTO negotiating for reform in agricultural trade.

Developing country positions in the WTO

At institutional level, the G77, which is tied to UNCTAD, has had to navigate and channel its trade advocacy to the WTO, outside the UN system. Despite the perception from developing countries that the UN system is friendlier to their interests than the multilateral trading system, UNCTAD is regarded as the one UN agency with which the WTO has the closest working relationship.¹⁰ Because as Craig VanGrasstek, who compiled a comprehensive book on the *History and Future of the WTO*, puts it “both organizations are devoted to trade and development, but in UNCTAD those priorities are in alphabetical order and in the WTO it is the reverse.”¹¹ In earlier years of the rules-based multilateral trading system, the GATT’s

apparent competition with UNCTAD and the creation of the G77 is considered to have contributed to the formal recognition of developing country concerns in the GATT.¹²

The WTO shifted its emphasis to a developmental mandate through the Doha Development Round that was launched in 2001, specifically to address the contentions of developing countries given outcomes of previous Rounds and implementation challenges of existing agreements. Doha's make-up and expected outcomes are supposed to help producers of goods and services, their exporters and importers alike to conduct their business smoothly. It is generally agreed in trade scholarship that the WTO's response to give issues of development a new impetus arose from the December 1999 Ministerial in Seattle when civil society organisations protested the unequal distribution of gains from the global trade system. At the core of this particular Round is the advancement of equity in the trade system, as advanced by the G77. Notwithstanding the correlation and differences between the rules-based WTO and UNCTAD, as well as the large array of issues of concern for the membership of the G77, the Group has found voice in the multilateral trade negotiation platforms in its 50 years.

It was leading up to the first WTO Ministerial post-Seattle in 2001 that the G77, then with no consensus on a new round or its contents, emphasised that multilateral rules needed to be improved to become more responsive to the trade and development interests of developing countries and to achieve equitable objectives.¹³ The need to integrate the development dimension soon became the Group's chorus for multilateral trade negotiations.¹⁴

Marking 40 years in 2004, the G77 pointed out that it was no coincidence that the Group was born alongside UNCTAD, because an equitable international trade system was a central issue for developing countries.¹⁵ In an era of post-independence, a shared legacy amongst developing countries saw the endurance of established trade relations being between former colonies and colonial powers. Countries have since continued to focus on increasing their exports and diversifying their trade. While developmental aid had occupied much of the narrative, particularly for African countries post-independence, slogans such as 'trade instead of aid' have since been popularised, as increased trade and investments

have overtaken the importance of development aid. The WTO leads its own Aid for Trade initiative, launched at the Hong Kong Ministerial Conference in December 2005 and supported by the G77, whose it as critical for boosting capacity in building trade. The Group see it as instrumental for rendering the trading system responsive to the development aspirations of developing countries by enhancing trade capacity and international competitiveness while also ensuring domestic policy space ownership.¹⁶

As the impasse on multilateral trade agreements at the Doha Development Round continued with no significant shifts for developing countries, the G77 once again lent its voice as a means to fully harness the potential of trade. In 2010, the Group appealed for political will from developed countries to resist all protectionist measures and tendencies, particularly agricultural subsidies and non-tariff barriers to trade, as well as to resolve existing trade distorting measures.¹⁷ In their September 2013 review of the world economic situation and the development challenges faced by developing countries, Ministers of the G77 further reiterated that trade remained a crucial tool to provide long-term sustainable growth. It was noted that the lingering effects of the global financial crisis that saw declines in trade had had a disadvantaging impact on developing countries as they contended with a fall in exports and loss of export revenues.¹⁸

The legally binding agreement on trade facilitation was subsequently the central outcome of the last WTO Ministerial in Bali, Indonesia, in December 2013, which also included decisions on agriculture, cotton and development and LDC issues. The agreement is referred to as the milestone Bali Package, it emphasises trade facilitation by resolving 'a series of decisions aimed at streamlining trade, allowing developing countries more options for providing food security and boosting trade in least developed countries.'¹⁹ Directly addressing concerns of the G77 regarding the improvement of multilateral rules, the Bali Package is an important success for developing countries in that the more seamless movement of goods should reignite exports. While gains for developing countries at the WTO remain relatively marginal, they are gains for the membership of the G77 and augur well for the position of the G77 as an international actor.

Fissures amongst developing countries

As commendable as common-objective blocs are, they are also imbued with power dynamics that may frustrate their agency. Because of its size and the changing economic global order, the G77 has been weakened by the rise of a strong incentive to organise in smaller groupings, particularly from so-called emerging powers that have built their own intra-regional groupings. On the one end, member countries regarded as emerging powers in the global system, such as the BRICS group of nations (Brazil, Russia, India, China and South Africa), have grown in influence. Their growing authority is an observable fact of blocs of a number of countries. In their paper evaluating 'Coalitions of Developing Countries in the WTO', Jerome Prieur and Omar R. Serrano argue that emerging powers traditionally seek to augment their influence in their regions and one of the methods used to achieve this is by being a more active role in forming coalitions at the WTO.²⁰ Indeed, while international organisations are endowed with authority, Michael Barnett and Martha Finnemore for instance, point out in their writings that international organisations can be passive structures as states are the agents that exercise the power.²¹ The BRICS group of nations are all vital members and have been critical in the formation of the stated groups in negotiations at the WTO. Their active participation has inevitably shifted the bargaining power from large groupings such as the G77, to smaller and more effective grouping such as Cairns and the G20 groups in the negotiations at the WTO.

On the other end, the larger group of less powerful members of the G77, the LDCs, are more apprehensive of the benefits of trade liberalisation that is the core objective of the WTO. They tend to view trade liberalization as a threat to the margins of trade preference that they enjoy accessing the markets of industrialized countries, and are uneasy about the vulnerability of opening up that could also restrict their own policy space.²² The realization of a unified voice on more specific issues at the WTO will continue to be constrained by the diversity of the G77's membership, but this should not deter the Group from advocating for a broadly accommodating multilateral trading system.

Concerted efforts for equitable trade

The rallying common cause against trade distorting subsidies by developed countries, other trade barriers, and calls for capacity building for developing countries, is an important agenda for the G77 plus China.²³ However, unresolved issues in the global for a continue to entrench inequities. Multilateralism has, as a result transcended the institution (WTO) and is expressed in other concerted efforts for equitable trade such as preferential and regional trade agreements.

Importantly, the G77 recognize that strengthening regional and sub-regional ties amongst developing countries is essential to mitigating the marginal gains in international trade.²⁴ The Group's African country members have, for instance, amplified the emphasis on boosting intra-African trade; with the realisation that trade amongst nations on the continent is low in contrast to other developing regions and regional integration groupings. China leads the way, in South-South trade relations as it has vigorously consolidated trade relations and become the largest trading partner to a significant number of countries – most of which are developing countries.

The Group's own efforts to strengthen trade cooperation amongst developing countries are also reflected through the Global System of Trade Preferences (GSTP). The GSTP is considered in WTO terms to be a preferential agreement that includes some countries that are not members of the WTO, covers only certain products, and subjects South-South agreements in general to lesser scrutiny than North-South or North-North agreements.²⁵ Established in 1989, the agreement promotes and seeks to enhance South-South trade.²⁶ Efforts to strengthen trade cooperation amongst developing countries present both challenges and opportunities, as they do in multilateral trade negotiations.

Challenges facing the G77 in the WTO negotiations include the following:

- A large number of G77 member states being significant exporters of primary products, inevitably

compete for export shares and this weakens their cohesion in multilateral negotiations.

- Country policies are tightly constrained by regulations enforced by international organisations such as the WTO, even where preferential trade agreements are in place. As constraints are largely on governments, not companies, there is an implicit shrinkage of self-determination space in trade (economic) policies.
- There are more prominent negotiating groups representing interests of the South, with a particular economic focus – such as the BRICS (Brazil, Russia, India, China and South Africa) and India, Brazil and South Africa (IBSA). The gains in trade of these emerging economies tend to eclipse those of other developing countries' significantly, creating large inequities amongst developing countries. Others, not as notable or formalised include the so-called African KINGs (Kenya, Ivory Coast, Nigeria and Ghana) – economically dynamic countries that may in future become formalised groups.

The opportunities that remain prevalent in the G77 agency in the WTO include the following:

- South-South cooperation that the G77 epitomises will continue to consolidate developing countries' positions in critical international organisations, such as the WTO.
- Greater intra-regional trade that the G77 promotes will contribute to industrialisation, diversification of exports, infrastructure development as well as subsequent reduction of costs in trade facilitation.

Conclusion

Power relations between the more industrialised economies and developing countries are implicitly expressed in international agreements and it has been up to developing country blocs such as the G77 to challenge the status quo that continues to entrench inequities. As it turns 50, the G77 pronouncements on trade have been limited to common cause at a macro level, such as on

inequities, trade distorting subsidies, capacity building for policy making and implementing agreements as well as trade facilitation. The diversified, specific interests amongst developing countries are instead expressed in the various negotiation groups they belong to in the WTO. This limits positions that could be regarded as that of the G77 and presumably the Group's authority in advocacy in trade multilateralism.

As the largest bloc of developing countries in the UN, the G77 is nonetheless well placed to steer negotiations to benefit its membership. Committing to multilateral trade negotiations, for instance is one thing, but strong lobbying from particular interest groups and collective bargaining power are key to reaching conclusions.

Policy considerations

As it looks to consolidate its position in multilateral trade negotiations, the G77 has to consider the following policy recommendations:

- **It has to consider fast tracking its own ambitions to strengthen trade cooperation amongst developing countries** as the realisation of equity in trade multilateralism has evidently been a slow process. The G77 is well placed, outside the WTO process, to concentrate on building the capacity of its members through policy coordination that should lead to seamless trade facilitation, enhanced trade and diversified exports. The Group could also take the opportunity, as the driver of this cooperation, to renew its relevance.
- **As the largest bloc of developing countries, the G77 should more proactively chart the successes and setbacks for their collective membership**, particularly pre and post the biennial WTO Ministerial Conferences. Such references cast a broader perspective to the impact of the rules-based multilateral system on developing countries. The more specific outcomes are well documented by the particular interest groups in the multilateral negotiations, which also represent the diversity of interests amongst developing countries.
- Many of Africa's trade relations have been characterised with the movement of trade between

former coloniser and former colony, with the former exporting value-added trade goods and the latter exporting primary goods. **The G77's efforts to strengthen South-South trade cooperation present African countries with the opportunity** to not only challenge those power-imbued bonds, but to also diversify their exports for increased export revenues.

Notes

- 1 The Group of 77 at the United Nations. 2014. "About the Group of 77." in <http://www.g77.org/doc/>. [Accessed 02 July 2014].
- 2 A list of the member states of the G77 can be viewed at: <http://www.g77.org/doc/members.html>
- 3 The Group of 77 at the United Nations. 2014. Op.Cit.p.1.
- 4 United Nations (UN). 2004. Ministerial Declaration on the Occasion of the 40th Anniversary of The Group Of 77. United Nations General Assembly. New York. 23 June 2004. p. 5.
- 5 Barnett, Michael and Martha Finnemore. 2005. 'The Power of Liberal International Organisations' in Michael Barnett and Raymond Duvall (eds.). Power in Global Governance. Cambridge: Cambridge University Press. p. 161-183.
- 6 The Group of 77 at the United Nations. 2001. 'Declaration by the Group of 77 and China on the Fourth WTO Ministerial Conference at Doha, Qatar.' in <http://www.g77.org/doc/Doha.htm>. [Accessed 02 July 2014.]
- 7 Not to be confused with the Group of Twenty (G-20) Forum of international economic cooperation and decision-making. It started as a meeting of Finance Ministers and Central Bank Governors, but now also meet at Heads of State level, annually.
- 8 World Trade Organisation. 2014. Groups in the negotiations. In http://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm. WTO. [Accessed 06 March 2014]
- 9 VanGrasstek, Craig. 2013. 'Relations with other organizations and civil society' in The History and Future of the World Trade Organization. World Trade Organization, Geneva, p. 158.
- 10 Ibid. p. 159
- 11 World Trade Organisation. 2007. 'Sixty Years of the Multilateral Trading System: Achievements and Challenges.' In World Trade Report 2007. WTO.p.290.
- 12 World Trade Organisation. 2014. Op.Cit. p.1
- 13 The Group of 77 at the United Nations. 2004. Special Ministerial Meeting stresses the achievements of G-77. In <http://www.g77.org/40/achievements.htm>. [Accessed 02 July 2014].
- 14 Ibid.
- 15 The Group of 77 at the United Nations. 2007. Statement on behalf of The Group Of 77 and China By H.E. Senator Dr. Mohammad Said, Islamic Republic Of Pakistan, on Agenda Item 52 (A): International Trade and Development, at The Second Committee of The 62nd UN General Assembly New York, 25 October 2007. in <http://www.g77.org/statement/getstatement.php?id=071025b>. [Accessed 18 July 2014].
- 16 United Nations (UN). 2010. G77 and China position on issues related to the outcome document of the world financial and economic crisis and its impact on development. in http://www.un.org/esa/ffd/events/2010GAWGFC/Stmt_G77_23June2010.pdf. p.10
- 17 The Group of 77 at the United Nations. 2013. Ministerial Declaration adopted by the 37th Annual Meeting of Ministers for Foreign Affairs of the Group of 77.' in <http://www.g77.org/doc/Declaration2013.htm>. [Accessed 02 July 2014]
- 18 World Trade Organisation (WTO). 2013. 'Ninth WTO Ministerial Conference' in <https://mc9.org>. [Accessed 17 April 2014].
- 19 Prieur, Jerome and Omar R. Serrano. 2006. Coalitions of Developing Countries in the WTO: Why Regionalism Matters? in http://graduateinstitute.ch/files/live/sites/iheid/files/sites/political_science/shared/political_science/3458/Developing_20Countries_20Coalitions_20in_20the_20WTO_20vrai.pdf. [Accessed 02 July 2014].
- 20 Barnett, Michael and Martha Finnemore. 2005. Op.Cit. p.162.
- 21 VanGrasstek, Craig. 2013. 'The theory and practice of the multilateral trading system' in The History and Future of the World Trade Organization. World Trade Organization, Geneva.p.158.
- 22 The Group of 77 at the United Nations. 2013. Op.Cit.p. 1.
- 23 The Group of 77 at the United Nations. 2001. 2013. Op.Cit.p.1.
- 24 VanGrasstek, Craig. 2013. 'Discrimination and preferences.' in The History and Future of the World Trade Organization. World Trade Organization, Geneva. p. 465 – 75.
- 25 The Group of 77 at the United Nations. 2014.Op.Cit.p.1.



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3rd Floor Robert Sobukwe Building
263 Nana Sita Street
Pretoria, 0003
South Africa

PO Box 14349
The Tramshed, 0126
Pretoria
South Africa

+27123376082
+27862129442
info@igd.org.za
www.igd.org.za

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