

World Trade Opportunism: Agreeable Terms of Global Exploitation

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Abstract: A while ago, a US Presidential memorandum was issued for the consideration of WTO's membership, which sought to deny 'Special and Differential Treatment' to developing countries in current and future agreements. As was expected, the third world retaliated, and it was India who rallied them for the cause. When considered as a standalone event, the memorandum can be seen as another reactionary diktat of a conservative regime, but a closer probe establishes a pattern—the Modern Nation-State either constitutes or owes its existence to a powerful caucus of elites and is narrowly representative even when they are procedurally democratic. The WTO (and the GATT before it) presents itself as a forum for negotiating trade agreements with an overarching aim to 'open trade for the benefit of all'. The constituent members who partake in these negotiations are rarely the legitimate ambassadors of a conclusive 'General Will' of their people. Agreements between national elites abjure the questions of substantive local representation and institutional mechanisms that are employed to ensure that any shroud of ignorance towards one's elitist and situated self-interest is forsaken. Once the garb of concern towards the deprived and disenfranchised is shed, these modern-day social contracts employ a concerted effort to systematically empower a global 'Leviathan', free from the cartographic restrictions of States, while subjugating the historically dispossessed even further. Building on Thomas Pogge's argument of '*explanatory nationalism*', which he employs to question the legitimacy of ill-governed states to act on behalf of their citizens, this paper will attempt to critically analyse the international order's incapacity to address global concerns. Further, borrowing from the cosmopolitan argument of the likes of David Held and others, the paper will advocate for the individual's concern (situated or autonomous) on the global stage and for a shift away from 'the international to the global'. World Trade Organization (WTO)

Index Terms - Special and Differential Treatment, Developing Countries, Global Governance, Elitism, Explanatory Nationalism, Cosmopolitanism, International Political Economy

Introduction

The history of man has seen a constant and unrelenting search for tenets of universal applicability, be it the laws of Physics or Nature. A grounded commonality of existence affords a sense of comfort and helps us mentally situate ourselves in the grand scheme of things. In the realm of Politics, this need for universality demands of us certain basic principles of structure and organization that go beyond local considerations and fixate on the 'individual'. Every individual is elevated to a global stature and considered the 'ultimate unit of moral concern' (Brock, 2013). This formulation of moral outlook is identified as Cosmopolitanism, which encapsulates a plethora of perspectives generally revolving around three elemental considerations—*Individualism* (as opposed to, say, state or tribe centric), *Universality* (as opposed to regional or ethnic particularity) and *Generality* (as opposed to relational or proximity considerations) (Pogge, 1992).

The outlook finds relevance in contemporary times when humanity is faced with urgent practical problems that require concerted international action and a concomitant emergence of a nascent global capacity to organize and act in concert (Bietz, 2004). The establishment of international institutions carries with it the conception of a 'post-sovereign world order' (Held, 1995) wherein a myriad of agencies and forums claim legitimacy on the grounds of shared and rule-based organization aimed towards a global consensus on issues that affect us all. The World Trade Organization (WTO) and its predecessor and present-day constituent, the General Agreement on Trade and Tariff, is one such forum that operates a global system of trade rules through its institutional structure and internationally negotiated and nationally ratified agreements with the aim to 'open trade for the benefit of all' (<https://www.wto.org/>). The rules and procedures of WTO theoretically imbibe the cosmopolitan concern, but its working and the consequent flow of goods, services, and labour trace the trajectory towards a thoroughly entrenched, well-established international power structure (Held, 2010). Where power is entrenched nationally, wealth is saturated into extranational caucuses of the rich and influential.

Dire straits: modern kings of a shared world

A closer look at the resultant distribution of wealth after 33 years of GATT reveals a disturbing reality. The bottom half of the world owns less than 1% and the richest decile owns 85% of the cumulative wealth. The gravity of the situation becomes apparent when we learn that the top percentile alone accounts for almost half of all household wealth (47%) (Shorrocks, Davies, Lluberas, 2018). An argument can be made that this state of the world economy is a result of much larger temporal and spatial eventualities. The global value chains that developed through ancient trade routes, medieval colonial enterprises and modern neoliberal insistence on open trade, along with numerous national, civilizational and geographical variables, have resulted in the dire straits of accumulated wealth we find ourselves in. However, the performance of our institutions of global justice (WTO in this context) has done nothing but perpetuate income differences and exacerbate global poverty.

State centrism: sole prerogative to oppress

At the outset, the modern nation-state might appear as the obvious unit of consideration when it comes to constituent membership of international fora. With the massive shift towards the questionable democratization of polities witnessed in the latter half of the 20th century, coupled with the emergent issues demanding international involvement, democracy as an ethic was forsaken. The international community accepted the legitimacy and the representative character of entities that were only procedurally democratic, and in the post-Cold War scenario even went on to accord recognition to evidently undemocratic states. The WTO has 164 members and 25 observer nations with the likes of a one-party democracy of China (2001) and the theocratic monarchy of Saudi Arabia (2005) as its full-time members (<https://www.wto.org/>). Deplorable state actions like the Russian annexation of Crimea or Myanmar's state-sponsored genocide of the Rohingyas illicit no repercussions when it comes to WTO negotiations. Countries like Yemen, which are categorised as authoritarian on the Democracy Index (www.eiu.com), claim to represent the aggregated interest of their people at annual WTO Ministerials. The average global score on the index has fallen to the lowest in 2019 since its inception in 2006 (www.eiu.com). The profits that accrue from free-market access trump all ethical considerations that influenced liberal democracies half a century ago. The rich states recognise the autocratic and despotic regimes as entitled to rule based on effective power alone and subject the populations of these countries to wealth-amassing governments who not only put their countries up for sale but do little in the name of development and redistribution (Pogge, 2005).

Cosmopolitan consideration: philanthropy or obligation

Cosmopolitanism came up as a reaction to this blatant concentration of wealth and issues like global poverty and hunger. These basic human rights violations caused major hue and cry at the international podium and thus became hurdles in the path of the rich and influential towards state-backed neocolonialism. The problem of externalities like environmental degradation, inadequate development of non-market factors like the continuous supply of essential public goods, unemployment or underemployment, global macroeconomic imbalances and a poor regulatory framework that partnered the unrestricted global trade flows forced governments and the international community to deliberate and take responsibility (Held, 2010). The need for transboundary cooperation has become apparent, but the nature of cooperation and the choice of parties to these institutional mechanisms, which are the structural elements of the international cooperative project, are based on ill-founded presumptions of national sovereignty.

Thomas Pogge argues against the popular assumption that poverty came about, persists today and will do so for the foreseeable future, due to solely local causes and contends for a negative duty that developed along with the historical accumulation of wealth (Pogge, 2005). He calls the ill-founded justification against a negative duty towards the global poor "*explanatory nationalism*." He highlights the malignancy of the present-day concentration of wealth that came about through centuries of colonial exploitation as opposed to the differential local conditions argument. The past rulers and the ruled surprisingly align with what we consider today to be the global north and south. The fruits of historical exploitation must come with a duty to redistribute and thus the unfortunate masses in domestically misgoverned states also merit global transfers to balance the historical abuse. The argument succinctly puts the onus on the developed countries and their governing bodies to repair the damage that ails the post-colonial states, but this responsibility may not be easily accepted.

State-capital nexus: differential representation

The governments of most states generally act as a facade to hide the real masters of their economy and polity. Political success is slowly becoming heavily dependent on financial support from these masters of fortune, and it is only logical to expect some quid pro quo. The phenomenon of Americanization of politics has been spreading across the Atlantic to countries like Italy. The characteristic features of this phenomenon include declining party organisations and the subsequent rise of personality politics and the concomitant assent of business brawn, which fills the void created by the absence of substantial inter-party democracy (Hopkin, 2005). The national business elites have found multiple avenues into governmental decision-making through the funding of political parties or themselves running the government through proxies. This money-politics nexus is especially prominent in the global south. Countries like Bangladesh have seen

progressively increasing representation from the business class, to the tune of 71% in the 1996 elections (Monem, Baniamin, 2008).

Further, in this globalized world, the explanatory nationalism argument is lacking as it pays no heed to the interlinkage of capital in the developed and the not-so-developed states and its spillover into the political realm. In this context, the goals of the global capital-owning class align, and their national political clout ensures that these goals motivate international trade cooperation. Pogge himself accepts that a nexus exists between the ruling cliques of the affluent and poor countries, which keeps the global poor in a state of perpetual destitution (Pogge, 2005). The World Resources Institute (1992, p. 12) claims that the national debt obligations of many developing nations crowd out public investment in environmental protection or economic and human development. The result is a debt-riddled economy whose debt service obligations are so large that they exceed new loans and private external investment, meaning that financial resources are flowing out of, rather than into, the country (Kahn, McDonald, 1995). The tilting public balance sheets have eroded the government's capacity for human development and poverty alleviation. The risk of falling into a debt trap as developing countries overborrow and open doors of foreign investments into the domestic market is immense and in such a situation, a significant portion of sovereign power is passed on to overseas elites (Bhuria, 2018), further putting a question mark on these governing bodies' allegiances and accountability to its people.

International constitutional governance: an impossible moral imposition

Further, relying on the Lockean argument that an institutional mechanism can be called just, so far as it assures that the worst off are at least as well off as they were in the 'state of nature'. Pogge elucidates the immorality of the contemporary system that has rendered the global poor with not even a minuscule percentage of their proportional resource share (Pogge, 2005). This becomes entirely clear when we consider that Pakistan, a country categorized as part of the 'fourth world' (Milanovic, 2005) with a per capita GDP of around \$1200 (compared to around \$40,000 of OECD economies) (<https://data.worldbank.org/indicator/>) but at the same time boasts around 20,000 millionaires and a military establishment whose net worth reaches an astounding \$12 billion (Sidiqqa, 2017). Locke's social contract was one that came out of unanimous consent to amalgamate individual 'natural powers' for the preservation of each and everyone's rights (Waldron, 1987). Considering that human existence through the ages has created winners and losers, we cannot forego this initial prerequisite to the contract. Rights must be institutionally protected, which demands the preservation of at least the pre-contract baseline; the well off may accumulate only to the extent that such accumulation does not reduce the worst off to a condition below the resource share that they held in the state of nature (Pogge, 2005). Yet today, there may not exist more than a handful of states that have performed this duty diligently. Lockean contractual obligations writ large presuppose that a logical corollary exists between what Locke expounded as a 'constitutional government of trust' (Waldron, 1987) at the local level and the global governance framework. The failed project of most liberal democracies to ensure the right to life and the bare minimum needed for it is evidence that a moral obligation cannot be imposed on it from beyond its cartographic sphere of existence.

The fallacy of a globally accountable nation-state

The attempt to fix responsibility across borders is problematic. To expect a competitively formed national government, which in turn is a party to global governance institutions, to go against local needs and perform global distributive duties is naive. The internal workings of the WTO, especially its 'green room' negotiations that conduct deliberations on critical issues, have been subject to repeated criticism of being exclusionary. The outcomes of these discussions, ranging from protection of intellectual property rights and abnegation to provide inexpensive lifesaving generic medication to relief from devastating tariffs on agro and textile products, indicate the dominance of affluent interests at this forum (Milanovic, 2005). A usual demand for the democratisation of these institutions comes up as a possible remedy to this against the growing global plutocracy (Milanovic, 2005). Yet the explanatory nationalism argument asserts the existence of autocratic and democratic yet misgoverned states with questionable representative character, building upon which it can be argued that such constituent members to even a truly democratic forum cannot ensure substantive representation of the voice of the subaltern.

Even the poor within nations, who have a definite stake in the country's politics, find it near impossible to drive the national agenda for their cause. The percentage population in the US living under poverty and privation is 10.5% of its total population, amounting to a disquieting 34.5 million in 2019 (<https://www.census.gov/popclock/>). Hence, a demand on an unresponsive, capital-infused and status quoist governance structure to accept moral responsibility for the poor beyond its borders is a bitter fallacy. Responsibility has to be precisely imposed on the bearers of historical profits. In exceptional cases, governments may be representative and may even be responsive to the needs of the downtrodden, but they are thoroughly ill-equipped to wage a domestic, let alone international, war of redistribution. The fact of their impoverishment is in itself their biggest hurdle to garnering aid and support for emancipation. Income inequality within countries has seen a continuous aggravation, even when global inequality declined modestly. The Gini coefficient of global income distribution is around 0.7 (ranging from 0, which represents perfect equality, to 1, which represents perfect inequality), which highlights

our modern-day predicament (Qureshi, 2016). In light of these facts, the rich and influential must be targeted across borders in a complex yet representative institutional arrangement.

Collaboration or deprivation: an opportunity to oppress

The international order that has resulted in such global inequalities cannot be justified as alternatives with possible structural modifications exist, that would theoretically be much more egalitarian than what the better-offs have constructed at present (Pogge, 2005). A system that continuously maintains the poor at severe levels of poverty cannot claim a moral high ground due to its superficial collaborative nature. The WTO has historically proven to be one such apparatus of perpetuating global wealth imbalances. Even the retributive framework designed within the organisation, in the form of the Dispute Resolution Mechanism, is diabolically exclusionary due to exorbitantly high costs. In the rare occasion that an underdeveloped nation, under pressure from local interests, attempts to remedy an injustice finds itself incapable of it. The US and EU are reportedly the most frequent litigants and respondents of this system, almost 4-5 times that of Canada, China, India and Brazil, who come in next. Out of the ten countries most active on the platform, four are categorised as developed (the US, EU, Canada and Japan), accounting for more than 66% of the total cases of these ten users. More troubling is the sheer absence of Least Developed Countries when it comes to initiating a process within the framework, may that be 'Request for Consultations, Panel Request, Panel Reports or Appellate Body (AB) Reports (Reich, 2017). This proves the hollowness of the principles that this institution encapsulates and its cosmetic approach to the cosmopolitan concern.

The malfunctioning nation-state: from power to responsibility

The system fails to deliver primarily because the constituents live off of local populism or put on the garb of benevolent despotism. If at the grassroots level, representation is absent and basic socio-economic concerns don't travel up the governance vine to influence policy at the national level, expecting such ruling elites to be responsive to the needs of the globally disenfranchised is beyond rational. Suggestions of institutional reform may claim to be pragmatic but are also restricted in imagination, subject to the need for acceptability by global elites. In this regard, Pogge's Modus Vivendi formulation (Pogge, 1987) can be considered, not as the most meticulously thought-out alteration, but as the most practicable. The 'Modus Vivendi' argument that national interests, threat potential and vulnerabilities can ensure negotiations and renegotiations to construct persistent institutional mechanisms is a fallacy. The flexibility of such global institutions may be ensured, but the issue of substantive representation remains. Thus, these institutions either become subject to the prerogative of the developed world backed by the wealthy and influential or become irrelevant when democratic conduct is ensured (Milanovic, 2005).

The paradox lies in the assumption that power politics and rebalancing can be infused with cosmopolitan morality. The assumption that global powers would conduct their business with a concerted effort to alleviate global poverty, taking upon themselves a negative duty and considering the perpetuation of poverty as a direct implication of their inaction, is impractically optimistic. The need is not to be restricted by the historical evolution of societal organization and to consider the principles of such organization as penultimate. The assumption of finality hinders social transformation, and structural reform must be introduced in the global governance structure in accordance with what is needed and not what is practicable. International association and cooperative effort is the need of the hour, and to ensure that we succeed in meeting the most urgent needs of the global society, be it the impending threat of global warming, starvation, or access to education and healthcare, we must shed realist considerations- 'realism is dead' (Held, 2010).

Conclusion

The current scenario explicitly showcases a demand for a shift away from power politics to a state of all-inclusiveness (Held, 2010). The people who experience the consequences of historical wrongs like the colonial enterprise or incessant overexploitation of nature to feed the ever-dilating appetite of the global north are unwilling to retain the status quo. They protest outside UN conventions or use multiple media made accessible by the increasingly interconnected world to voice their dismay at the failures of the state-led global governance structure. This tussle between the decision-makers and the decision takers indicates a demand from the bottom to bring democracy closer to the most affected (Held, 2010). To address this demand, the categorization of issues is needed. To be fair to what the nation-state has accomplished in the realm of security and the flawed yet democratic agency, certain issues must fall solely in their sphere of operation.

The issues related to trade cannot be said to be a state prerogative. Trade as a practice is much older than the territorially contained limits of nation-states. Purely revenue accruing considerations do not elevate the state to the level of the most important stakeholder. Any negotiations that may have repercussions on the livelihood of a community or even particular individuals must consider them as significantly affected (Held, 2010). A challenge of identification of these significantly affected and the validity of their claims (Keohane, 2003) and the jurisdictional issues that will follow, must not dissuade our effort. It is preferable to have a complex and substantially inclusive global organization than be at the mercy of dominant

geopolitical interests or a market-based organization. The people must, in turn, give up their singularly parochial identity and assume their place as embedded in a global community (Cabrera, 2008).

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