GLOBAL SWING STATES WORKING PAPER 2012

GLOBAL SWING STATES AND THE TRADE ORDER

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This working paper is part of an ongoing project undertaken by the German Marshall Fund of the United States (GMF) and the Center for a New American Security (CNAS). The project, co-led by Daniel M. Kliman and Richard Fontaine, examines how the United States and its European allies can partner more closely with Brazil, India, Indonesia, and Turkey to strengthen international order. The views expressed here are those of the author and do not necessarily represent the views of the project leaders or their respective institutions.

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For more than 50 years, the international trading system's rules were set whenever the United States and Europe reached a deal, which was then refined by a few other key countries and ultimately signed onto by the other members of the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO). However, as the failure to reach agreement in the Doha Development Round of trade talks makes clear, this deal-making process — starting with just a few nations and assuming the eventual buy-in of the rest — has unraveled.

A good deal of the unraveling stems from the entry of the "global swing states" — Brazil, India, Indonesia, and Turkey — onto the world's economic stage. Each has individually played an important role in the international trading system and the WTO, with Brazil and India figuring particularly prominently. Yet the *collective* actions of the swing states have deepened the polarization within the WTO, pitting the developed countries against an increasingly monolithic bloc of developing countries. Many attribute the failure to reach a conclusion in the Doha Development Round to the unwillingness of the swing states to make trade commitments that are in line with their new status as economic powerhouses and to their insistence that they receive the same treatment as much poorer developing countries that lack their economic bargaining chips.

The WTO: Hub of the International Trade Order

In the realm of international trade — that is, the cross-border movement of goods, agricultural products, services, and intellectual property — all eyes focus on the WTO as the primary organization for establishing and maintaining the rules of the road.

The WTO is itself an outgrowth of the GATT, signed in 1947 to serve as a rule-setting mechanism for the governance of international trade. The GATT provided the forum in which eight rounds of multilateral trade negotiations were completed between 1947 and 1995, substantially lowering tariffs on industrial goods from double-digit levels to an average of just 4 percent. Through its system of tariff bindings, transparency, and adherence to rules — especially the twin principles of nondiscrimination (expressed in the most-favored-nation treatment and national treatment provisions) and reciprocity — the GATT also provided an underpinning of institutional stability and predictability in international trade that served as a guarantor against the threat of 1930s-style protectionism throughout the second half of the 20th century.

As global commerce became more complex, the GATT members recognized the need for an organization that could provide more comprehensive regulation of international trade than the accidental institution of the GATT, which had no provisions for an institutional structure, a budget or a process to update its mandate. As a result, in 1995, the GATT membership established the WTO with a mandate that extended beyond just tariffs and trade in goods to include agricultural products, services, intellectual property, sanitary and phytosanitary rules, trade-related investment measures, and a binding dispute resolution system. Today, the WTO has 157 member countries and, with Russia's recent accession, now includes all major trading nations.

Strong Keeper of the Rules But Weak Forum for New Agreements

The WTO has achieved a great deal in the nearly 18 years since its creation, particularly by locking in lower tariffs and limitations on other barriers to trade and the enforcement of rules prohibiting trade discrimination between members. However, doubts about its future and relevancy in the international economic order have arisen with increasing frequency due to the failure of WTO

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The WTO's dispute settlement system has been particularly successful.

members to reach an agreement on the Doha Development Round, which began in 2001 and has yet to be concluded. The most recent ministerial meeting, in December 2011, came and went without any formal pronouncements about the future of the Doha Round. Efforts in 2012 have focused on trying to find those small pieces of the overall Doha agenda that could be completed. However, many countries have insisted that those portions of the Doha agenda directed at helping developing countries must be adopted before (or at least at the same time as) items of greater interest to developed countries. In addition, there appears to be little agreement on exactly which pieces of the Doha agenda are ready for adoption. Some hope remains that a piecemeal approach will yield a number of important agreements, including decisions on trade facilitation and a possible plurilateral agreement on services. However, it is clear that the days of conducting large trade rounds, in which all parts of a broad negotiating mandate have to come together before any of them can be agreed upon, have come and gone.

Thus, if the WTO is seen first and foremost as a negotiating forum for big, broad trade liberalization agreements, then its state of affairs is poor and arguably getting worse. However, if the WTO is seen primarily as a keeper of the rules of the road and as the coordinator of information flows on trade and trade policies, then its state of affairs is quite robust.

The WTO's dispute settlement system has been particularly successful, especially in terms of the number and complexity of disputes that have been brought to it for resolution. Use of the WTO dispute settlement system has been very heavy, particularly when compared with almost any other international tribunal. Since its establishment, almost 500 disputes have been initiated.[1]

[1] For a chronological list of these disputes, see http://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm.

Meanwhile, the International Court of Justice has rendered just 48 decisions over the same time period, and the International Tribunal for the Law of the Sea, which came into existence approximately one year after the WTO's system, is now beginning its 19th case. Participation in the WTO dispute settlement system has also been broad, with a total of 63 countries participating in at least one dispute, either as a complainant or a respondent, and many more countries having been active as third-party participants in one or more cases.

Beyond serving as the adjudicator of the rules, the WTO has continued to play a strong role in ensuring transparency in the trading system through its meticulous recordkeeping of tariff notifications, nontariff barriers, services commitments, trade remedy measures, and more. Through its Trade Policy Review Mechanism, the WTO plays an important oversight role and gives members an opportunity to read, review, question, and raise concerns about the trade policies and practices of other member countries. This mechanism not only brings important transparency to the trading system but also often provides an amicable forum in which to discuss trade irritants before they become full-blown disputes.

Moreover, the WTO continues to convene its members on a regular basis at all levels, from large ministerial meetings to more-specialized committee meetings. At these gatherings, important norms are established, understandings are reached, and habits of working collectively are formed.

Throughout the recent financial crisis, the WTO played a critical role in keeping protectionism at bay. This was accomplished through efforts to hold all countries to their existing commitments, to highlight any new trade measures, and to ensure that pledges against protectionist actions were made by leaders within the Organisation for Economic Co-operation and Development and in many other forums. The WTO also spotlighted the issue of trade finance to ensure that the financial crisis did not unduly impair the access to credit necessary for importers and exporters.

Despite these strengths, there remain a number of threats to the WTO as an institution and to the multilateral trading system as a whole. The first, and by far the largest, threat is the rapid growth of regionalism — regional alliances and trade arrangements. In the first 45 years of the GATT, 124 bilateral or regional trade agreements were notified, less than three a year. By contrast, the past 15 years of the WTO saw 333 new notifications of such agreements, more than 22 a year. As of October 15, 2009, 456 regional trade agreements had been notified, 266 of which are currently in force. The most recent is the Association of Southeast Asian Nations (ASEAN)-China Free Trade Area launched on January 1, 2010. This is the largest free trade area in the world by population (1.9 billion) and the third-largest by economic value— behind the European Union (EU) and NAFTA — with a combined gross domestic product (GDP) of $6 trillion. The time, energy, and political resources required to negotiate these bilateral or regional agreements are considerable and reduce what countries have available to devote to multilateral agreements within the WTO. In addition, the unique rules in many of these agreements can increase complexity and overall transaction costs. The proliferation of bilateral or regional agreements sends a strong signal of a growing lack of faith in the WTO as the best forum for trade liberalization.

Furthermore, the WTO is under threat by the perception, particularly in the developing world, that the rules of the system are tilted in favor of developed countries and large multinational corporations. Many developing countries are still waiting for good access to developed country markets for their agricultural and light manufactured products and for a trading system that delivers economic growth on a more equitable basis.

As the number of member countries and the complexity of the issues facing the WTO grow, some also see the WTO as threatened by its difficulty in making decisions on a consensus basis. Its governance system makes it very difficult to address the 21st-century trade issues that are becoming simultaneously more prominent and more intractable. Such issues include:

- the rise of trading by state-owned enterprises that do not fit neatly into the WTO system,
- the difficulty in enforcing intellectual property rights (particularly in light of recent decisions to grant patents to computer software and the rampant electronic transmission of patented or copyrighted materials),
- the increasing use by many developing countries of economic strategies designed to nurture and protect domestic emerging industries through promotion of "indigenous innovation" and similar policies,
- a greater willingness of countries to impose export bans or other restrictions on natural resources and other goods, and
- the widespread growth of corruption in the trading system (such as misclassification of goods to avoid tariffs, bribes of customs officials, fraudulent financing and smuggling, and outright piracy in many of the world's shipping lanes).

The Role of the Global Swing States in the Trading System

The four global swing states — Brazil, India, Indonesia, and Turkey — have all played, and continue to play, important roles in the trading system. Brazil and India were original GATT

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Brazil is increasingly looked to for leadership in ongoing efforts to conclude the Doha Round.

signatories. Brazil, India, and Indonesia were members of the WTO from its inception on January 1, 1995, and Turkey acceded to the WTO less than three months later. Each of these countries experienced strong economic growth and a rise to greater prominence on the world's stage at a time when the long-standing practice of reaching agreements in global trade among the so-called Quad Countries (the United States, the EU, Canada, and Japan) was beginning to unravel. It was clear by the time the Doha Round negotiations got underway that the "Quad" country grouping had to change. After much pushing and shoving, the group that emerged for some time was the "Five Interested Parties," in which the United States and the EU remained, but Brazil, India, and Australia (due to its leadership of the coalition pressing for agricultural reforms) replaced Japan and Canada in the inner circle. This gave major leadership roles to two of the four swing states. Some analysts contend that this change led to greater gridlock in trade talks, as the swing states used their leadership largely to bring together the developing countries in a firmer alliance against developed countries.

Brazil

Since the WTO's creation in 1995, Brazil has been a very active member, with that country's representatives taking on leadership roles in numerous committees and councils within the organization. Brazil is increasingly looked to for leadership in ongoing efforts to conclude the Doha Round. Brazil was one of the first developing countries to join a 2004 commitment to reduce export subsides as part of a Doha package. When the talks appeared to collapse in 2007, Brazil was one of four members (along with the United States, the EU, and India) invited to a leaders meeting in Potsdam to try to restart the Doha negotiations. Similarly, in July and December of 2008, Brazil was one of a handful of countries included in intensive discussions to try again to chart a path forward for the Doha Round.

Brazil has never been shy about assuming leadership roles. For example, when Brazil found itself unhappy with the path that the negotiations on agriculture were taking, it led the charge to form a new group of developing countries, called the Group of Twenty (G20),[2] that would unite in opposition to the approach on agriculture being proposed by the United States and the EU. Remarkably, although Brazil's interests in agriculture were almost entirely offensive, it was able to bring in countries such as India and Argentina that had largely defensive interests. Many blame the fight between the Brazilian-led G20 coalition and the United States and the EU for the collapse of the 2003 Doha Round of talks in Cancun. U.S. Trade Representative Robert Zoellick wrote an editorial following the collapse of the talks in which he mentioned Brazil five times, concluding that Brazil rejected an offer to work with the United States, refused to work from texts proposed by the chair of the negotiations, and transformed the WTO "into a forum for the politics of protest."[3]

An active user of the WTO's dispute settlement system, Brazil has brought complaints in 25 disputes and had 14 disputes brought against its trade practices. Brazil led the effort to bring claims against agricultural subsidies that exceeded the WTO-agreed-upon ceilings through its successful challenge to U.S. subsidies for cotton. The WTO has also ruled against Brazil, most notably in a challenge by Canada to Brazil's subsidies for its

[2] This G20 should not be confused with the group of the same name of finance ministers and later heads of state that gathered in the wake of the financial crisis in 2008. The Brazil-led G20 includes Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, and Zimbabwe. It is described by the WTO as a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries. See http://wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm#grp016.

[3] Robert Zoellick, "America Will Not Wait for the Won't Do Countries," *Financial Times*, September 22, 2003.

small commercial aircraft manufacturer, Embraer, that resulted in Brazil being forced to significantly alter its export support program.

BRAZIL

- Total exports of goods and services: $232.2 billion
- Total imports of goods and services: $250.9 billion
- Trade to GDP ratio (2008-2010): 23.8%
- Trade Balance: — $47.32 billion
- Rank in world trade:

Rank in world trade	Exports	Imports
Goods	#22	#20
Services	#31	#17

- Primarily exports to: European Union (21.8% of total), China (15.6%), United States (9.7%), Argentina (9.3%)
- Primary exports: transport equipment, iron ore, soybeans, footwear, coffee
- Primarily imports from: European Union (21.2% of total), United States (15.1%), China (14.2%), Argentina (8.0%)
- Primary imports: machinery, electrical and transport equipment, chemical products, auto parts

Source: WTO, "Trade Profile: Brazil," http://www.stat.wto.org/countryprofile

Unlike many other members of the WTO, Brazil has engaged in fairly limited trade arrangements outside of the WTO — the major exception being its membership in the customs union MERCOSUR. Brazil is also a member of the Latin American Integration Initiative, an association established in 1980 with the goal of creating a Latin American common market. The initiative gives Brazil some enhanced associations with the rest of South America and Mexico but has not resulted in changes in tariff policies. Because of significant limits on the scope and coverage of MERCOSUR, it is fair to say that Brazil's trade policies remain primarily influenced by its membership in the WTO.

In the years leading up to the establishment of the WTO, Brazil did much to lower its barriers to trade, in particular its tariffs on imports, with average duties of 57.5 percent in the 1980s being brought down to an applied rate of 13.7 percent on average. However, Brazil never agreed to legally bind its tariffs to those applied rates, leaving itself considerable room — often referred to as tariff "water" — to raise rates in the future without violating its WTO commitments. Recently, Brazil did just that, announcing an increase in import duties to 25 percent on 100 products. According to Brazil, this was done to "compensate for price differences on products caused by continued doldrums in top economies around the world," but the action was seen by many others as a move to return to the days of greater protection and support for its domestic industries.[4] When coupled with recently announced Brazilian packages of incentives and subsidies to develop its off-shore oil reserves, it is clear that Brazil will not be shy in fending off foreigners and boosting domestic manufacturing.

India

Like Brazil, India has been an active and increasingly important member of the WTO. Because of its concern that lowering its tariffs would invite even more imports from China, India has joined Brazil and others in working to lessen the tariff cuts that would be expected of developing countries in the Doha Round. India was also one of the four countries invited to the July 2007 meeting in Potsdam tasked with putting the Doha negotiations back on track. Similarly, India was included in all of the key meetings in 2008 — from the acrimonious breakdown in July to the December sessions trying to restart the talks. Indeed, India was cited by many as the one country of the seven members of the inner-most circle (the United States, the EU, Brazil, India, Australia, and,

[4] Luciana Otoni, "Brazil to boost import taxes again to help local industry," *Reuters,* September 4, 2012.

INDIA

- Total exports of goods and services: $342.9 billion
- Total imports of goods and services: $466.4 billion
- Trade to GDP ratio (2008-2010): 47.7%
- Trade Balance: — $51.79 billion
- Rank in world trade:

	Exports	Imports
Goods	#20	#13
Services	#7	#7

- Primarily exports to: European Union (18.8% of total), United Arab Emirates (12.4%), United States (10.7%), China (7.9%)
- Primary exports: textiles, gems and jewelry, engineering goods, chemicals, leather
- Primarily imports from: European Union (12.1% of total), China (11.8%), United Arab Emirates (8.8%), Switzerland (6.3%)
- Primary imports: crude oil, machinery, gems, fertilizer, chemicals

Source: WTO, "Trade Profile: India," http://www.stat.wto.org/countryprofile

for the first time, China) that rejected the WTO Director-General's package and refused to work from his draft to craft any form of agreement.[5]

India's approach to trade is often viewed as a product of its leadership role in the Group of 77 — a group of countries that threw off Western colonialism and sought to achieve economic independence through state-run development and protection for their domestic workers and farmers in the form of high barriers to imports. Until the 1990s, India's economy remained largely closed, with tariffs averaging over 120 percent. Although tremendous economic reforms occurred in the 1990s, India remained skeptical of the WTO, with one trade minister referring to the WTO as a "necessary evil." As a result, India was quite critical of the launch of the Doha Round from the beginning and remained resolutely insistent that the round first deliver benefits for the developing countries. More so than Brazil or China, India resisted efforts to part company from less-developed countries or to acknowledge that the tremendous growth in its economy left it in a different place from its historical roots and economic strategy.

Despite its skepticism about the WTO, India has been actively involved in the dispute settlement system, both as the initiator of 20 cases against the trade practices of the United States, the EU and others and as the subject of complaints in 21 cases. When the dispute settlement system ruled that India's currency reserves were sufficient to forestall any threat to its monetary reserves, India had to remove its import restrictions and similarly removed local content requirements for its auto sector when challenged by the United States and the EU.

Outside the WTO, India has become increasingly aggressive in seeking regional or bilateral trade agreements. India is a founding member of the Asia Pacific Trade Agreement, a preferential tariff agreement promoting intraregional trade between its member states (China, Bangladesh, India, the Republic of Korea, the Lao People's Democratic Republic, and Sri Lanka, with Mongolia currently in accession talks). In 2009, India entered into a goods-only framework agreement with MERCOSUR, and in 2010, it entered into an agreement covering trade in goods with members of ASEAN. In 2011, India and Japan entered into a Comprehensive Economic Partnership Agreement, a bilateral economic integration and free trade agreement covering goods, services, and investment.

Indonesia

Since becoming a member of the WTO on January 1, 1995, Indonesia has joined a number of groups

[5] Paul Blustein, *Misadventures of the Most Favored Nations: Clashing Egos, Inflated Ambitions, and the Great Shambles of the World Trade System* (New York: PublicAffairs Books, 2009), 265.

and coalitions, particularly those seeking "special," "differential," and "more favorable" treatment from tariff reductions adopted by developed countries. Indonesia joined with Pakistan, Jamaica, and India in insisting on "special products" exceptions to tariff cuts for staple foods grown in developing countries and, during the recent food crisis, joined China, India, and others in putting export controls on food to protect Indonesian food security. In general, Indonesia has appeared content to maintain a relatively low profile in the WTO, solidly in the group of developing countries that have been increasingly acting as bloc to oppose the developed countries. Indonesia has played a limited role in the dispute settlement process at the WTO, initiating five cases and having just four claims brought against it.

INDONESIA

- Total exports of goods and services: $174.3 billion
- Total imports of goods and services: $161.9 billion
- Trade to GDP ratio (2008-2010): 49.5%
- Trade Balance: +$5.642 billion
- Rank in world trade:

Rank in world trade	Exports	Imports
Goods	#28	#29
Services	#40	#33

- Primarily exports to: Japan (16.3% of total), European Union (10.9%), China (9.9%), United States (9.1%)
- Primary exports: oil, gas, plywood, textiles, rubber
- Primarily imports from: China (15.1% of total), Singapore (14.9%), Japan (12.5%), European Union (7.3%), United States (6.9%)
- Primary imports: machinery and equipment, chemicals, fuels, foodstuffs

Source: WTO, "Trade Profile: Indonesia," http://www.stat.wto.org/country profile

Indonesia's initial approach to trade was shaped by its former president, Sukarno. Indonesia joined others in the Group of 77 in adopting an economic development strategy based on state support for industries and preservation of the right to protect its economy through tariffs, quotas, and investment restrictions to keep foreign involvement in the Indonesian economy at bay.

Like the other swing states, Indonesia liberalized and opened its economy during the 1990s, largely by reducing its applied tariffs while not "binding" itself to keep tariffs low or to permanently remove import barriers.[6] Indeed, during the 2008 financial crisis, Indonesia slowed the flow of imported goods into its market through regulations mandating that all imports had to enter through one of five ports and requiring every container to be inspected by a limited number of customs inspectors. Similarly, when faced with possible food shortages around the world, Indonesia was one of the early adopters of restraints on exports of foodstuffs, particularly rice. Most recently, Indonesia placed restrictions on the exports of 14 key minerals — including nickel, copper, gold, and iron ore — raising threats of a WTO challenge to these restrictions by Japan and others.

Outside the WTO structure, Indonesia's main trade focus has been on the ASEAN Free Trade Area, which links Indonesia to Brunei, Malaysia, the Philippines, Singapore, Thailand, Cambodia, Burma, Vietnam, and Laos. This free trade agreement was created to attract more foreign direct investment to ASEAN and to increase ASEAN's competitive edge in the world market through the elimination of tariff and nontariff barriers between ASEAN members. Since the creation of the ASEAN Free Trade Area, Indonesia

[6] Note that Indonesia had bound tariffs at 35.6 percent but applied tariffs at 6.7 percent. See Patrick Messerlin, "Walking a Tightrope: World Trade in Manufacturing and the Benefits of Binding" (German Marshall Fund of the United States, June 2008), http://www.gmfus.org/doc/GMF_MesserlinBrief_NAMA_Final.pdf.

has also entered into ASEAN free trade agreements with China (2007), Japan (2008), Australia (2010), New Zealand (2010), India (2010), and South Korea (2010). In July 2008, Indonesia entered into a bilateral free trade and economic integration agreement with Japan, Indonesia's biggest export market. In an effort to boost trade and investment between the two countries, this agreement will eliminate tariffs on more than 90 percent of the trade between Japan and Indonesia by 2016.

Turkey

Broadly speaking, other than participation in a number of developing country coalitions, Turkey has played a modest role within the WTO. The exception has been its leadership role in fighting for an extension of the quotas on textile and clothing products beyond the 10-year phase-out called for by the Uruguay Round agreements. Indeed, Turkey was one of the first textile-exporting countries to recognize that the long-espoused goal to quickly eliminate all quotas on textile and clothing products would pit it in direct competition with China, that quotas on China and other large exporters (such as India) created space in both the U.S. and European markets for Turkish textile exports, and that not all developing countries would benefit from quota elimination. Turkey worked to build a coalition of countries that found modest success in their quest for some retention of textile quotas.

Turkey has had limited involvement with the dispute settlement system at the WTO, initiating only two cases involving anti-dumping duties on Turkish exports of rebar and textiles. Turkey has also been the subject of very few of complaints by others, most of which have focused on various Turkish efforts to protect its textile and clothing manufacturers from imports or to restrict food imports.

Taking advantage of its position as a geographical gateway between Europe, Asia, and North Africa, Turkey has entered into multiple free trade agreements outside of the WTO. Its customs union with the EU, in effect since 1996, was enacted to promote trade and economic relations and to encourage Turkey to align itself with the EU in several essential internal market areas, notably with regard to industrial standards. Since 1992, Turkey has participated in a free trade agreement with the European Free Trade Association to eliminate all tariff and non-tariff barriers between the parties and to regulate numerous areas, including state monopolies, technical regulations, public procurement, state aid, intellectual property rights, internal taxation, payments, transfers, dumping, safeguard measures, and rules of origin. Turkey is currently engaged in bilateral free trade agreements with Morocco (since 2006), Egypt (since 2007), Syria (since 2007), Georgia (since 2008), and Jordan (since 2011). Turkey was a founding member of the Economic Cooperation Organization, along with Iran and Pakistan. This organization —

TURKEY

- Total exports of goods and services: $147.8 billion
- Total imports of goods and services: $203.8 billion
- Trade to GDP ratio (2008-2010): 49.3%
- Trade Balance: -$47.59 billion
- Rank in world trade:

Rank in world trade	Exports	Imports
Goods	#33	#21
Services	#28	#38

- Primarily exports to: European Union (47.1% of total), Iraq (5.3%), Russia (4.1%), United States (3.3%)
- Primary exports: textiles and clothing, iron and steel products, chemicals, pharmaceuticals
- Primarily imports from: European Union (39% of total), Russia (11.6%), China (9.3%), United States (6.6%)
- Primary imports: machinery, chemicals, semi-finished goods, fuels, transport equipment

Source: WTO, "Trade Profile: Turkey," http://www.stat.wto.org/country profile which now also includes Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan — is a Partial Scope Agreement that provides a platform for Turkey, Central Asian states, and South Asian states to come to a consensus on commercial and trade issues.

Conclusion

Given the current economic climate, it is more important than ever that the United States not allow these four swing states to drift away from the WTO and the multilateral system into purely regional arrangements. This trend of regionalization by Brazil, India, Indonesia, and Turkey serves as a distinct threat to the legitimacy and overall efficacy of the WTO as a leader in the comprehensive regulation of international trade. If the WTO is to solve the increasingly complex issues it now faces, the energy, creative thinking, and intellectual leadership of the swing states need to be channeled, at least in significant part, to the WTO.

It is therefore vital that the WTO accept and adjust to the increasingly powerful role of regional trading arrangements and find ways to bring both the trade liberalization and creative thinking on the trade issues contained in these agreements into the WTO system. This could be done by "multilateralizing"[7] the regional agreements through harmonizing the common or overlapping provisions (or even entire agreements) or by bringing them under the surveillance of the WTO. It could also be started through an effort to seek changes that would permit the WTO's dispute settlement system to become the adjudicator of disputes arising under regional trade agreements.

Finally, what is needed now is to address the swing states' real fear that lowering their trade barriers means being overwhelmed by Chinese exports. If such a path can be found, then there is a much greater chance that consensus can be reached on multilateral trade agreements, including the Doha Round. In so doing, the WTO can reaffirm its role as a strong keeper of the international trade rules and renew the world's confidence in its ability to provide a multilateral forum for addressing the most complex and vexing trade issues for the benefit of all its members — developed, developing, emerging, and swing states alike.

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[7] See, for example, Richard E. Baldwin, "Multilateralizing Regionalism: Spaghetti Bowls as Building Blocks on the Path to Global Free Trade," *The World Economy,* 29 (2006).

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