

The London School of Economics and Political Science

*Bargaining power in multilateral trade negotiations:
Canada and Japan in the Uruguay Round and Doha
Development Agenda.*

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Relations of the London School of Economics for the
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Declaration

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*In memory of my grandparents,
Antonette Dinnesen and Heinrich Dinnesen.*

*To my family:

My parents,
my brother,
my aunt,
and Hans-Werner am Zehnhoff.*

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Abstract:

The thesis analyses the conditioning factors of Canada's and Japan's bargaining power in the multilateral trade negotiations of the Uruguay Round and Doha Development Agenda (DDA). It deals with two related research questions. The central question of this research is: to what extent and why did Canada's and Japan's bargaining power decrease from the Uruguay Round to the DDA? This question is related to the following auxiliary research question: what are the conditioning factors of Canada's and Japan's bargaining power during the Uruguay Round and DDA, and to what extent have these factors changed from one round to the other? While the thesis includes a general overview of their negotiation profiles, it analyzes specific, detailed case studies of the profiles of these countries in anti-dumping and market access/NAMA negotiations in both rounds.

The hypothesis of this research is that Japan and Canada have lost bargaining power from the Uruguay Round to the DDA because of changes in the following conditioning factors: economic power; activity in country coalitions and groups; interests groups and decision-making structures on the domestic level; ideational power; and foreign policy objectives. In addition, the importance of the position of the preferences a country in the spectrum of the overall membership of multilateral trade negotiations is examined. The thesis finds that this hypothesis is partially confirmed. Canada and Japan have mainly lost bargaining power owing to a relative decrease in their economic power, a lower profile in central negotiation groups as well as coalitions, and due to domestic politics. Ideational power and especially foreign policy objectives can be considered less relevant. The thesis also finds that especially Japan's bargaining power in anti-dumping negotiations was affected by a change of the position of its preferences within the spectrum of the overall membership of the negotiations.

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List of Abbreviations.

AAFC	Agriculture and Agri-Food Canada
ACP	African, Caribbean and Pacific
AD	Anti-dumping
ADA	Anti-dumping Agreement
ASEAN	Association of Southeast Asian Nations
ATNCG	Agriculture Trade Negotiations Consultations Group
BATNA	Best Alternative to a Negotiated Agreement
BoP	Balance of Payments
BRIC	Brazil, Russia, India, China
CARICOM	Caribbean Community
Cotton-4	Benin, Burkina Faso, Chad and Mali
DDA	Doha Development Agenda
DFAIT	Department of Foreign Affairs and International Trade
DPJ	Democratic Party of Japan
DSB	Dispute Settlement Body
EFTA	European Free Trade Association
EPA	Economic Partnership Agreements
EU	European Union
FAC	Foreign Affairs Canada
FANS	Friends of Anti-Dumping Negotiations
FDI	Foreign Direct Investment
FIP	Five Interested Parties
FTA	Free Trade Agreement
G-10	Group of 10

G-11	Group of 11
G-110	Group of 110
G-20	Group of 20
G-24 on services	Group of 24 on services
G-33	Group of 33
G-4	US, EU, India and Brazil
G-6	Group of 6
G-7	Group of 7
G-77	Group of 77
G-90	Group of 90
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GI	Geographical Indication
GNG	Group of Negotiations on Goods
GNP	Gross National Product
GNS	Group of Negotiations on Services
GPA	Government Procurement Agreement
IBSA	India, Brazil, South Africa
IMF	International Monetary Fund
ITA	Information Technology Agreement
ITCan	Japan Agriculture
LDCs	Least-developed Countries
LDP	Liberal Democratic Party
LLDCs	Landlocked Developing Countries
LMG	Like-Minded Group

MAFF	Ministry of Agriculture, Forestry and Fisheries
MAST	Multi-Agency Support Team
MERCUSOR	Southern Common Market
METI	Ministry of Economy, Trade and Industry
MFN	Most-favoured Nation
MNE	Multinational Enterprises
MOFA	Ministry of Foreign Affairs
MTN	Multilateral Trade Negotiations
NAFTA	North American Free Trade Agreement
NAMA	Non-agricultural Market Access
NAMA-11	Non-agricultural Market Access-11
NGO	Non-governmental Organization
NGR	Negotiating Group on Rules
NME	Non-market Economy
Non-G-6	Non-Group of 6
NTB	Non-tariff Barrier
NTM	Non-tariff Measure
OECD	Organization for Economic Co-operation and Development
PPP	Purchasing-power-parity
PTA	Preferential Trade Agreements
RAMs	Recently Acceded Members
SAGIT	Sectoral Advisory Committees on International Trade
SCFAIT	Standing Committee on Foreign Affairs and International Trade
SPS	Sanitary and Phytosanitary Measures
SVEs	Small Vulnerable Economies
TBT	Technical Barriers to Trade

TISA	Trade in Services Agreement
TNC	Trade Negotiations Committee
TPP	Trans-Pacific Partnership
TPRB	Trade Policy Review Body
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
USD	United States Dollars
VER	Voluntary Export Restraints
WTO	World Trade Organization

Chapter 1: Introduction.

1.1: Introduction to the background of the research question.

1.1.1: Introduction to the topic and its relevance.

Both Japan and Canada are middle powers that have long profited from being a central part of global trade governance. Accordingly, they formed an integral part of the so-called “Quad” (US, EU, Canada and Japan) during long periods of the negotiations concerning the General Agreement on Tariffs and Trade (GATT). Middle powers such as Canada and Japan have been confronted with a sudden change of trade governance from the Uruguay Round to the Doha Development Agenda (DDA). The central global trade governance groups are now characterized by a confrontation between the established major powers of the EU and the US on one side, and major emerging markets on the other. New groups such as the “G-4” (US, EU, Brazil and India) and the “Five Interested Parties” (US, EU, Brazil, India and Australia) emerged during the DDA of the World Trade Organization (WTO).

According to Narlikar, belonging to these central negotiation groups is a sign of power. The power balance that existed throughout the time of GATT's existence has shifted. The relative power of major developing countries, especially Brazil, India and China, seems to have been increasing in the WTO (Narlikar, 2010). Jawara and Kwa refer to these central groups as “circles of power”. Referring to the Quad, they point out that the most central group consist of the US and EU, as well as the other “most powerful” countries (Jawara and Kwa, 2003). Vickers refers to a “changing configuration of bargaining power” which is “reflected in the shift of systemic influence from the established ‘Quad’ powers in the Uruguay round (i.e. the US, EU, Japan, and Canada) to an emerging bloc of powers around the US, EU, Brazil and India, and now China” (Vickers, 2012, p.262). He also states that “the balance of power in the WTO is more multipolar, even multicultural” than it was in the GATT (Vickers, 2012, p.256).

These changes have posed serious challenges to middle powers. How do developed country middle powers such as Canada and Japan try to keep their power in a world in which the configuration of global trade governance and the power balance within the multilateral trade regime have changed? Which strategies do they adopt in order to maintain their power and to what extent do they succeed in doing so? This study analyses the cases of Canada and Japan. It traces the power of Canada and Japan in the Uruguay Round and DDA negotiations. This thesis is therefore about demonstrating causality in the processes of negotiation. It aims to demonstrate causality between certain factors and the bargaining power of these countries. How and why do Canada and Japan exert such power in the Uruguay Round and DDA?

By focusing on Canada and Japan, this study provides insights on how middle powers react to the challenges of the changing configuration of global trade governance and the shifting power balance within the multilateral trade regime. The thesis provides an in-depth empirical analysis of the bargaining power of Canada and Japan in the Uruguay Round and the DDA. In the academic literature, this area has not received extensive attention so far. While there are numerous accounts on the more prominent negotiation profiles of emerging markets such as Brazil and India, the less prominent negotiation profiles of developed country middle powers such as Canada and Japan have not been focused on to date.

From the analysis of bargaining power in multilateral trade negotiations, the thesis also addresses a gap in the literature on the theoretical level. Sherman states that although “several partial hypotheses have been advanced in the literature, there remains no coherent understanding of how power influences international trade negotiations” (Sherman, 2006). In the context of multilateral trade negotiations, the concept of power still remains vague. This is largely due to the complexity of the factors that could be associated with it. A single theoretical framework for the analysis of bargaining power encompassing its potential sources has not yet been developed. The studies of Japan and Canada with different in-depth case studies provide new empirical evidence for causal links between different economic and non-economic factors, and bargaining power. By analyzing the conditioning factors of Canada’s and Japan’s bargaining power in the Uruguay Round and DDA negotiations, this analysis aims to contribute to the possible development of such a

single theoretical framework. The study aims to identify merits and limits of different analytical frameworks such as John Odell's negotiation model in analysing the concept of bargaining power in the multilateral trade negotiations (Odell, 2000).

The study incorporates analyses of to what extent the conditioning factors of bargaining power have changed from the Uruguay Round to the DDA. The multilateral trade regime has changed considerably, for example in member size, the range of issues, institutional design and the complexity of the negotiations. In this context, it still remains unclear to what extent the conditioning factors of bargaining power have become more complex. For example, to what extent and in what ways do non-economic factors, such as increased coalition building or the increased importance of norms and ideas, contribute to the bargaining power of a country? What are the roles of non-state actors and civil society in the bargaining process of the DDA?

As an apparent change of the traditional power balance that existed during the GATT can be noticed during the DDA, the question of determining the conditioning factors of bargaining power is especially relevant today. The political and economic weight of countries such as Brazil, India and China has increased especially throughout the DDA. We seem to be in a process of a changing configuration of global trade governance. The European Union (EU) and the United States of America (US) are less and less able to dictate what should be done in the negotiations. While focusing on the point of view of two developed country middle powers, this analysis can contribute to answering important questions on the systemic level of the changing configuration of global trade governance. For example, what is the apparent decline of certain developed countries or apparent rise of emerging markets in international organisations such as the WTO actually based on? Considering the growing demand of an increasing number of countries to participate more actively in the central negotiations, it becomes clear that this question will be asked increasingly often in the WTO.

1.1.2: Justification of the country studies.

The thesis focuses on the country studies of Japan and Canada. It compares Japan's and Canada's bargaining power in the DDA with their bargaining power in the Uruguay Round negotiations. How can the choice of these country studies be justified? First, the research starts with the empirical observation that Japan and Canada have been an integral part of global trade governance during the GATT. However, they have disappeared from the top four to five negotiation groups in the decision-making process of "pyramiding" during the current DDA. These developments thus seem to be particularly significant for these middle powers. Secondly, although both Canada and Japan can be described as middle powers, they differ significantly in economic weight. A comparative analysis of these two middle powers enables the research to provide insights on a larger range of middle powers, from relatively weaker ones as Canada to economically more powerful ones as Japan. Thirdly, Canada and Japan seem to react to the challenges mentioned above with different strategies. This research can be used to analyse different strategies that middle powers adopt to maintain their power status. Japan seems to have adopted a strategy centred on Free Trade Agreements (FTAs) in order to pursue its power on the bilateral track. To what extent does this change (increase or decrease) its bargaining power in the multilateral trade negotiations of the WTO? While Canada has also been actively pursuing a strategy of concluding FTAs, it still seems to be more focused on maintaining an active role in the multilateral negotiations. To what extent is Canada still able to exert its power by shaping multilateral trade negotiations as an "honest broker"?

It can be argued that both of these countries have a "middle power" status. The literature on "middle powers" takes different approaches to determine their criteria. No generally accepted definition of the term "middle power" exists today. According to the behavioural approach, "middle power" states can be identified by their behaviour. Jordaan points out that all middle powers display foreign policy behaviour that stabilises and legitimises the global order, typically through multilateral and cooperative initiatives (Jordaan, 2003). Middle powers include "good international citizenship" as a major principle of their foreign policy. They are often seen as "honest brokers" in multilateral negotiations. The hierarchical model

describes a “middle power status” as a relational concept. According to this model, different classes of states are defined by objective capability, asserted position and recognized status. What are relevant criteria for such a classification? Holbraad uses population and gross national product (GNP) to determine middle power status (Holbraad, 1984). Finlayson and Weston refer to population and economic power. Furthermore, they point out that middle powers are unable to exert decisive influence in world affairs on their own, which explains why they normally cooperate with other states to do so (Finlayson and Weston, 1990).

This analysis focuses on the following factors to explain both Canada’s and Japan’s middle power status: share of global gross domestic product (GDP) based on purchasing-power-parity (PPP), share of world trade, population and the degree to which their independent determination of foreign policy objectives is constrained by other states. Note that these factors are used here for an initial assessment of Canada’s and Japan’s general “middle power” status as suggested in the literature outlined above. A framework of additional specific indicators is necessary for a full analysis of their negotiating coinage and bargaining power in the specific setting of multilateral trade negotiations. This framework is outlined in Chapter 2. For an initial assessment of their general “middle power” status, I first compare their share of world GDP at the beginning of the Uruguay Round, at the beginning of the DDA and in 2013. Japan's share rose until 1991 when it reached 10.2%, but then significantly decreased (1986: 9.4%, 2001: 7.6%, 2013: 5.5%). This strong relative decrease of Japan’s market size since 1991 took place in the wider context of an overall economic and political stagnation over the last two decades. Canada’s share has been decreasing slowly since the start of the Uruguay Round (1986: 2.4%, 2001: 2.1%, 2013: 1.7%) (IMF, 2013). Concerning their share of world trade, Canada’s share of world exports in 2011 was 2.5% for merchandise trade and 1.8% for trade in commercial services. The same figures for imports were 2.5% for both merchandise trade and trade in commercial services. Japan’s share of world exports was 4.5% (merchandise trade) and 3.4% (commercial services), while its share of world imports was 4.6% (merchandise trade) and 4.2% (commercial services) in 2011 (WTO, 2013a). For their population, Canada has 35.3 million inhabitants, while Japan’s population is currently 127.3 million (IMF, 2013). It is clear that both the economic size and the population of Japan exceed by far that of Canada. Japan is

currently the 10th-ranked state for population (IMF, 2013). It is in the top four countries with the larger economic markets (behind the US with a share of 18.6%, China (15.6%) and India (5.8%) of world GDP (PPP)) (IMF, 2013).

Is it still possible to qualify Japan as a “middle power”? Here, the degree to which Japanese political influence has been and still remains constrained by the US is important. These reasons go back to the Second World War and Japan’s dependence on the US for security during the Cold War. According to Rothstein, a state is a small power when it recognizes that it cannot obtain security primarily by use of its own capabilities, and must rely fundamentally on the aid of other states to provide it (Rothstein, 1968). As Holbraad points out, middle powers can best be distinguished by the power they command. He defines this power of a state as its ability to impose its will on other states and to resist attempts by other states to impose their will on itself. This power includes military, economic and moral elements (Holbraad, 1984). Japan’s ability to exert political power by itself still seems constrained owing to its interdependence with other countries, especially with the US and increasingly with China. As Japan’s political power seems inconsistent with its economic power and population size, it can be considered from an overall perspective to be a middle power.

The factors of economic size and population mentioned above suggest a middle power status for Canada. Canada’s reputation of being an “honest broker” within the trade regime seems to support this view. The significance of this reputation becomes clear in the context of Canada’s strong analytical contribution to the negotiations (Wolfe, 2006). This can be illustrated by this excerpt from a report by the Canadian House of Commons:

“Canada is widely respected as one of the most active and influential players in the negotiations. The source of our strength has been our ability to bring practical, creative, and credible ideas to the table to build bridges and to move issues forward. Looking ahead, our ability to influence the negotiations will continue to be directly related to our ability to generate constructive ideas, and to work on building

consensus around ideas that ultimately help to advance our own negotiating objectives” (Canada, 2005).

It becomes clear that Canada does not only have a self-image of being an “honest broker” in the negotiations, but also that many other countries seem to accept this. This reputation reinforces Canada’s middle power status.

By choosing the studies of Canada and Japan, this research is also able to provide insights on the importance of the roles and functions of middle powers for the multilateral trading system. As pointed out above, both Canada and Japan can be described as middle powers. Canada especially has been playing the role of an “honest broker” in the negotiations, in particular during the Uruguay Round. Accordingly, middle powers such as Canada have long been important for multilateral trade negotiations not only because of their function of consensus building, but also because of their analytical contribution and creation of new ideas. By focusing on the change of bargaining power of Canada and Japan from the Uruguay Round to the DDA, this research also analyzes to what extent the positions of Canada and Japan and their functions, for example as “honest brokers”, have changed from one round to the other. For example, to what extent is Canada both still willing and able to fulfil its role of an “honest broker” between the blocs of major developed countries such as the US and EU on one side and emerging markets such as Brazil, India and China on the other? The studies of Canada and Japan will thus also provide insights on the importance of middle powers for the functioning of multilateral trade negotiations.

1.1.3: Setting the scene.

Bargaining in multilateral trade negotiations takes place between governments. It also takes place within states between the government and domestic stakeholders. Furthermore, it takes place between different coalitions or country groups within the institutional design of the multilateral trade regime. Bargaining power in multilateral trade negotiations between governments is thus influenced by these other forms of bargaining. Conditioning factors of bargaining power in multilateral trade

negotiations can thus be found on different levels. A basic distinction can be made between two fundamental levels: the systemic level between governments and the domestic level within member states (Putnam, 1988). In order to identify conditioning factors of bargaining power, this thesis presents analyses of a number of factors on each of these levels (See Table 1).

Table 1: Outline of factors for an analysis at different levels of bargaining.

Systemic level:	Analysis of the economic markets of member states
	Analysis of the institutional design of the GATT/WTO
	Evolution of negotiation issues in multilateral trade negotiations
	Foreign policy objectives of member states
Domestic level:	Domestic decision-making processes
	Domestic political debate and interest groups

At the systemic level, different factors are important: the economic markets of member states, the institutional design of the GATT/WTO, the evolution of negotiation issues and member states' foreign policy objectives. The economic development of the member countries' markets is a significant factor. An important point here is the opening of many developing countries' markets since the 1980s. Owing to a number of financial crises during the 1980s and 1990s, many developing countries such as Brazil and, since 1991, India were forced to perform a structural adjustment. They abandoned their policies of import substitution, and their economies became more export-orientated. On average, developing country exports during the 1990s rose by 7.7% per year compared with 4.7% for the developed countries (Michalopoulos, 2001).

The growing share of exports and imports of goods and services of the national GDP illustrates the growing openness of these emerging markets: India's share of exports in 1986 was 5.1% while Brazil's was 8.8%. In 2011, the same figures were 24.6%

for India and 11.9% for Brazil. In comparison, China's share of exports was 22.6% when it joined the WTO in 2001 and climbed to 31.4% in 2011. Concerning the share of imports of GDP, the figures for 1986 were 6.9% for India and 6.4% for Brazil. They were 29.9% for India and 12.6% for Brazil in 2011. China's share of imports was 20.5% in 2001 and 27.3% in 2011. Another point to consider is the increase of foreign direct investment (FDI) in these countries. The net inflows of FDI in US dollars show that India and Brazil have experienced a strong increase: while the net inflows for India were 118 million in 1986, the same figure was over 272 times higher in 2011 (32,190 million). In the case of Brazil, the net investment was 345 million in 1986 and it was more than 207 times higher in 2011 (71,539 million). For China, net investment was 44,241 million in 2001 and 220,143 million in 2011 (World Bank, 2013a). The economic markets of these countries have thus become larger and their openness to international trade has increased. As a result, new offensive economic interests were created, both within them and within other countries. According to Odell's model, this has contributed to the creation of larger "zones of agreement" between these emerging markets and their trade partners. Do these developments decrease Japan's and Canada's relative bargaining power?

From the institutional design of the negotiations, a constant increase of GATT and then WTO membership can be noticed. While GATT was established by 23 founding members, the WTO currently has 160 members (WTO, 2014a). This increase results mainly from developing countries' joining the WTO. While 63 developing countries were members of the GATT at the start of the Uruguay Round in 1986, this figure rose to 106 of 144 WTO members at the start of the DDA (Patel, 2007). Many developing countries want to participate more actively in the negotiations. Their demand for concessions in agricultural trade from developed countries both in the Uruguay Round and DDA is an illustration of this. These developments have led to an increasing proliferation of small-group negotiations and especially of developing country coalitions. An institutional design of concentric circles has developed. Within this new institutional design, developing country coalitions have proliferated. The importance of belonging to member groups within the WTO "clubland" has also increased (Wolfe, 2007). As a result, the leading positions that countries as Brazil and India take in developing country coalitions is important. For example, Brazil is the fixed coordinator of the G20 group in agricultural negotiations resulting in

“vociferous leadership” by Brazil within the group (Vickers, 2012, p.257). As a result, being a leading country in coalitions seems artificially to increase the economic market size it represents in the core negotiation groups. Does the inability of Canada and Japan to make a similarly successful use of this tactic decrease their bargaining power?

The topics covered in multilateral trade negotiations have progressively widened since the start of the GATT. While the focus of the negotiations remained on tariff reductions up until the Dillon round, the scope was then gradually broadened to include subjects such as anti-dumping measures, non-tariff barriers (NTBs), services and intellectual property rights. The question of the rules of the negotiations has become more and more important. Each member country attributes a different priority to these different “chess games”. It seems that the bargaining power of a country differs from one topic to another. Agriculture has been crucial in both the Uruguay Round and the DDA. In the DDA, negotiations have been held hostage to agriculture. According to Das, most delegations – particularly the EU – wanted to reveal their positions on non-agricultural market access (NAMA) negotiations only after the level of the commitments in agriculture was revealed by the major trading economies (Das, 2007). Does this high priority of agriculture shared by many countries result in a decrease in Japan’s and Canada’s overall bargaining power owing to their limited ability to make new concessions in this area? And what is the effect of the exclusion of certain topics? Three working groups, on trade and investment, on competition policy and on transparency in government procurement were set up at the Singapore Ministerial Conference in 1996. Japan was in favour of negotiating these issues, but they were excluded from the agenda in August 2004. Negotiations on these areas could have given Japanese negotiators an incentive to make concessions in other areas, via the linkage of issues. What is the effect of the exclusion of these issues on the bargaining power of Japan?

Foreign policy objectives can also influence the bargaining power of a country. In multilateral trade negotiations economic interests are always represented politically. Thus, this representation can be linked to non-economic foreign policy interests. The geo-strategic position of a country is important. For example, Canada has a large border with the US, a political and economic superpower. Canada is thus a regional

follower, not a regional leader. On the other hand, Brazil and India seem to have agendas of regional leadership. As a result, their political representation of economic interests seems more forceful. Does this have an effect on these countries' bargaining power? Do Japan's and Canada's geo-strategic positions reduce their relative bargaining power compared with countries such as Brazil and India? Foreign policy objectives can also determine whether a country concludes a trade agreement on the bilateral, regional or multilateral level. Canada has a strong bilateral cooperation with the US through the North American Free Trade Agreement (NAFTA). Japan has been rapidly opening itself up to preferential trade agreements (PTA) in the Asian region during the DDA. What is the effect of these bilateral and regional agreements on the bargaining power of a country in the multilateral negotiations?

As pointed out, factors conditioning the bargaining power of a country can also be found at the second fundamental level of analysis: the domestic level. What role can be attributed to decision-making processes, their degree of centralisation and the regulatory culture within different countries? Can they affect the credibility of Japan's and Canada's trade negotiators at the WTO and thus affect their bargaining power? There are specific structures of participation in the process of Japanese trade policy decision-making for a variety of defensive interest groups. For example, there is a commission in parliament that closely watches every policy development about agriculture. Politicians can exert influence by forming special interest groups in parliament on the topic of agriculture (Macrory et al., 2005, p.180). For Canada especially, the agricultural sector is divided into export-orientated industries and the influential supply-managed sectors of the dairy, poultry and egg industry mostly located in Ontario and Quebec. Both of these industries can rely on an elaborate system of formal and informal consultation methods that allow these lobbying groups to influence Canadian trade policy.

What role do domestic interest groups play and to what extent is the formation of trade policy objectives dependent on the domestic political debate? For example, the association of farmers in Japan is an especially influential interest group (Macrory et al., 2005, p.181). In Canada, both offensive and defensive interest groups influence Canadian trade policy, especially in the agricultural sector. The result of this influence is a reduced credibility of Canadian negotiators, as they are influenced by

both general offensive agricultural interests as well as specialized defensive interests by the supply-managed sector. For example, the House of Commons instructed negotiators at the Hong Kong Ministerial meeting to increase market access for agricultural exports without offering any market access in Canada (Canada, 2005). This inability of Canadian negotiators to make concessions in the agricultural sector results in a perceived loss of credibility.

1.2: Stating the research questions and presenting the research framework.

1.2.1: The research questions.

This thesis deals with two related research questions. The central question of this research is: to what extent and why did Canada's and Japan's bargaining power decrease from the Uruguay Round to the DDA?

This question is related to the following auxiliary research question: what are the conditioning factors of Canada's and Japan's bargaining power during the Uruguay Round and DDA and to what extent have these factors changed from one round to the other?

1.2.2: Introducing the conceptual framework.

As Robert Wolfe points out, “power is a problematic concept in international relations. Traditional definitions and the hierarchical classifications of actors associated with them are not always analytically helpful in the context of the WTO” (Wolfe, 2006, p.5). In order to facilitate the analysis of this complex concept, the thesis focuses its analysis on “bargaining power” in multilateral trade negotiations. Power is a social concept. In order for power to exist, there needs to be a social interaction between at least two actors. Furthermore, “in a bargaining situation, power finds its empirical expression in the concessions that an actor makes, or, more loosely speaking, the ‘influence’ that the negotiation partner exerts” (Schneider, 2005, p.672). A number of factors are particularly useful for our research, such as

market size and degree of openness to international trade. Owing to the principle of reciprocity of WTO negotiations, an important factor of analysis that results from these two elements is the capacity to make trade concessions. The thesis therefore lays a focus on the capacity of Japan's and Canada's trade negotiators to offer concessions in GATT/WTO negotiations.

John Odell's notion of economic "zones of agreement" presented in his negotiation model is a useful framework for the analysis of economic markets as one factor that determines the bargaining power of states. In Odell's words, in order for a negotiation to be possible, there has to be a "zone of agreement". This zone depends on the "resistance points" of each party. It depends on the perception by each party of the resistance points of the other and on their perceptions of the range of possible agreements. The strategy of both parties, as well as the perception that both parties have of the strategies of the other, plays an important role (Odell, 2000). Furthermore, the "best alternative to a negotiated agreement" (BATNA)¹ of each actor is important. Bargaining power can be exercised through influencing the BATNA of another actor (Schneider, 2005, p.673). Information asymmetries or asymmetries in the negotiation capacities can also play a role.

What are the advantages of this focus on bargaining power? It allows study on Japan's and Canada's trade negotiators as the basic unit of analysis. The concept of bargaining power also allows power in the yet unfinished DDA negotiations to be analyzed. It provides specific factors of analysis, such as the capacity of negotiators to make concessions. This factor can be analyzed even though the negotiations are not finished. A more thorough definition of the conceptual framework and the resulting dependent variables is conducted in Chapter 2.

¹ The concept of BATNA is described, for example, by Fisher and Ury in their negotiation analysis "Getting to Yes: Negotiating Agreement Without Giving In" (Fisher and Ury, 1991). One central feature determining the bargaining power of a negotiator is the degree to which he is dependent on concluding the deal in question. Your bargaining power increases if you have a good outside option. BATNA refers to the best outside option of each negotiator as one indicator of their bargaining power.

1.2.3: Methodology.

The analysis of bargaining power is also an analysis of success or failure in negotiations. Thus, the analysis of the conditioning factors of bargaining power aims to determine the reasons for success or failure in bargaining. An analysis of bargaining power has first to determine the preferences of the actors involved in the bargaining process. This analysis has to be a continuous assessment throughout the bargaining process, as the preferences of actors can change. Secondly, the outcomes of the bargaining process need to be identified. The actor with the preferences that are more similar to the latest available outcome is considered more successful in the negotiations. However, the analysis of bargaining power needs to go beyond the degree of similarity of preferences and outcomes. Success or failure does not reflect the existence or absence of bargaining power. For example, success in negotiations can be the result of coincidence or luck (Barry, 1980, Schneider, 2005, p.672).

Thirdly, an analysis of bargaining power needs to include the identification of the influence of an actor that resulted in the success within the bargaining process. *For the purpose of this analysis bargaining power is defined as the capacity of an actor to influence the bargaining process so as to achieve an outcome that is favourable to his preferences.* As Braham and Holler point out that power is “a generic ability because it involves the capacity to do things that have an effect” (Braham and Holler, 2005, p.145). Accordingly, in order to determine the bargaining power of an actor, both elements of the definition above, concessions and influence, have to be analysed. For an analysis of bargaining power, an actor’s influence and capacity to shape the negotiations have to be linked to the favourable outcome of the bargaining process. Furthermore, if the preferences of an actor change, it has to be determined whether this is due to the influence of another actor. Given the multitude of different actors in multilateral trade negotiations, this analysis focuses on the power of Canada and Japan in the process of bargaining with the major actors of each round. Fourthly, it then has to be determined why a given actor was able to exercise a capacity to shape the bargaining process and obtain a more favourable outcome. This thesis is thus an empirical impact assessment of different factors on the bargaining power of Canada and Japan.

The hypothesis of this research refers to the importance of different conditioning factors that account for the bargaining power of a country in multilateral trade negotiations. It is that Japan and Canada have lost bargaining power from the Uruguay Round to the DDA because of changes in the following factors that condition bargaining power: economic power, belonging to country coalitions and groups, domestic politics, ideational power and foreign policy objectives. As an additional factor, this research also assumes that the position of the preferences of a particular country in the spectrum of the overall membership of multilateral trade negotiations can influence its bargaining power. Accordingly, the hypothesis is also that a change in the relative position of Canada's and Japan's preferences affected their bargaining power from one round to the other.

The first important factor conditioning the bargaining power of a country is economic power, expressed, for example, through market size and relative market openness. These elements determine the zone of agreement of the bargaining process. This factor also introduces the elements of saliency and BATNA into the analysis. Economic power refers to the ability of a country to influence other countries by being able to make concessions in which other countries are interested. In order to be able to identify economic power, the overall market size of the country in question first needs to be measured. Here, the measurement of economic indicators such as the share of the global GDP (PPP), and the share of global imports and global exports is important. The degree of openness of the economic market also needs to be identified, for example through the measurement of remaining tariff barriers. This degree of openness needs to be identified for each sector of the economy.

Secondly, belonging to different country coalitions and groups, or even coordinating them, is an important factor of bargaining power. As pointed out above, the bargaining between different country coalitions or groups within the institutional design of the multilateral trade regime is important. The importance of this conditioning factor can be measured through the degree of cost sharing, information gathering and the increase in technical expertise obtained by participating in the group or coalition in question. Gains made in bargaining power through these factors can be important for both central decision-making groups and negotiating coalitions.

Countries can profit from these factors by simply participating in the groups. Additional gains in bargaining power resulting from coalition activity can be measured by the following factors: the overall economic power of the coalition, its degree of cohesion, the degree of overlap between the preferences of the coalition and those of the country in question, and the official role of the country within the coalition.

Thirdly, bargaining takes place between stakeholders and the government on the domestic level. This involves domestic politics, as governments have to rely on the support of crucial stakeholder groups. Bargaining power in multilateral trade negotiations is therefore also determined by this domestic bargaining process. Here, the following indicators are important: the degree of defensiveness and the influence of domestic interest groups, the overall degree of cohesion of interest groups and of the administrative parts of the country in question, the importance of negotiation tactics as well as the importance of domestic institutional structures such as formal and informal consultation channels between interest groups and trade-policy decision-makers.

Fourthly, this thesis assumes that norms and ideas play a part in determining bargaining power. An important indicator for the measurement of normative power is the degree to which a country is able to frame its preferences consistent with existing norms, and thus to increase the legitimacy of its proposals in the negotiations. A country can make reference to existing norms as a reason to obtain a specific role in a negotiation coalition, such as the role of the coordinator of the coalition. Other norms, such as the norm of fairness and equality, can affect complete country groups such as developed countries. The relative position of a country's preferences within the overall normative consensus of the membership is important. The logic of appropriateness is important as norms can determine which behaviour is considered appropriate in multilateral trade negotiations. For example, the norm of internal transparency can influence the institutional design of central decision-making, which can affect the bargaining power of individual countries.

As a fifth factor, foreign policy objectives and geo-strategic considerations play a role in determining the bargaining power of a country. Here, the degree to which

such foreign policy objectives influence the normative power of a country is important. Such objectives and considerations can influence the role of a country within a negotiating coalition. They can also be important for the economic power of a country, as they can influence the willingness of a country to open its markets to another country.

Lastly, the bargaining power of a country can also be affected by the position of its preferences in the overall spectrum of the membership of multilateral trade negotiations. For example, if the preferences of one particular country are considered to be extremely radical compared with an existing consensus of large parts of the overall GATT/WTO membership, this country is likely to lose bargaining power. On the other hand, if it is fully in line with such other positions, it is likely to gain bargaining power compared with countries with more radical positions.

The aim of the thesis is not to provide a full list of the factors that can be conditioning factors of bargaining power. It rather aims to identify the most important, recurrent themes accounting for the bargaining power of both Canada and Japan. The research is a comparison of the conditioning factors accounting for Canada's bargaining power in the Uruguay Round with those accounting for Canada's bargaining power in the DDA. It includes the same comparison for Japan's bargaining power in both negotiation rounds. Thus, the thesis focuses on identifying the most important sources of bargaining power, weighing them up against each other in each round and comparing them across the two negotiation rounds for each country. Furthermore, it provides a comparison of the findings for both Canada and Japan.

The approach of the research is mainly qualitative. The research draws information from the relevant academic literature, from statistical data on economic development, and from primary documents on GATT/WTO negotiations. A strong focus is laid on semi-structured expert interviews with former and current GATT/WTO officials, trade diplomats working in permanent representations to the WTO, and government officials. A specific focus is on interviews with past and present Canadian and Japanese trade negotiators. Information from interviews with researchers working on Japanese and Canadian trade policy formation is included. Overall, 54 semi-

structured interviews were conducted for this research. Interviews were conducted under the condition expressed by interviewees that they remain fully anonymous, except for having their names included in the overall list of interviewees in the Appendix. References or direct comments from interviews will therefore be cited as “interview” in the text. The research is based on field research, for example at the WTO, and it mainly relies on the method of process-tracing and the use of in-depth case studies. The thesis includes detailed case studies of the negotiations of anti-dumping and non-agricultural market access.

1.2.4: Justification of the case studies.

The present analysis includes two case studies on specific negotiations, one on non-agricultural market access and one on anti-dumping measures. How can the choice of these case studies be justified? The studies of non-agricultural market access and anti-dumping negotiations were chosen in order to include negotiations based on market access and on rules. The research thus analyzes the idiosyncratic character and dynamics of both types of negotiations while determining the factors affecting bargaining power within them. There is a strong link between the topics of market access and anti-dumping negotiations, and concessions in both areas are interlinked. As a result, the choice of these two areas provides the basis for a thorough analysis of the dynamics of linkages in negotiations and their effect on the bargaining power of the participating countries.

In addition, non-agricultural market access negotiations “account for around 90 percent of world exports. They are the “big boy” in world merchandise trade” (Adler et al, 2009, p.15). An analysis of bargaining power in non-agricultural market access negotiations is representative of a large part of world trade, and thus especially significant for the overall assessment of the bargaining power of a country. The specific justification for the anti-dumping case-study is provided from consideration of the countries that the research is focused on. Increasing discipline on anti-dumping actions was one of Japan’s main priorities during the Uruguay Round (Hart, 1998, p.182, Ichiro, 2007, p.183). This was because of the long history of Japan’s exports being exposed to anti-dumping procedures before the Uruguay Round. A position

paper issued by the Japan Federation of Economic Organizations (Keidanren) in July 2001 clearly stated anti-dumping measures as a “top priority” for Japan’s negotiating agenda (Keidanren, 2001). It thus becomes clear that the anti-dumping question has been one of Japan's major preferences in both the Uruguay Round and DDA. The analysis of the bargaining power on this topic is therefore especially relevant for an overall assessment of Japan’s bargaining power in both negotiation rounds. Canada was one of the few main users of anti-dumping measures during the Uruguay Round. As a result, and owing to Canada’s high technical expertise, it has been one of the main protagonists of the negotiations during the Uruguay Round. It has also been an active participant in the negotiations of the DDA.

1.2.5: Structure of the research.

The second chapter forms a concept of bargaining power in multilateral trade negotiations. It encompasses literature reviews on the concept of power in international relations, bargaining theory and the theory of economic diplomacy. It then identifies a set of indicators for the analysis of bargaining power in multilateral trade negotiations.

Chapters Three and Four focus on an overall assessment of Canada’s and Japan’s bargaining power across the Uruguay Round and DDA negotiations. The third chapter assesses the economic profiles of Canada and Japan and the history of economic development since the start of the Uruguay Round. This overview is strongly linked to the “power as resources” approach. It highlights the identification of the economic offensive and defensive interests of Canada and Japan that result from these economic profiles. This is important, as the measurement of bargaining power also requires the identification of the objectives of a country and then analyzing to what extent these objectives have been achieved. The third chapter provides an overview of the economic resources and market developments of Canada and Japan, in order to identify the resulting main offensive and defensive economic interests. Projections concerning future economic development are included. In a second part, Chapter Three provides an analysis of the domestic political and

decision-making structures in Canada and Japan that relate to multilateral trade negotiations.

The fourth chapter provides an analysis of the impact of institutional factors, as well as norms and ideas, on the bargaining power of Canada and Japan in GATT/WTO trade negotiations. Accordingly, this chapter continues the assessment of Canada's and Japan's overall bargaining power across the multilateral negotiations of the Uruguay Round and DDA. It focuses on the facets of "procedural power" and "ideational power". The chapter provides an overview of the changes within the institutional design of the international trade regime, from GATT to WTO. It analyses Canada's and Japan's profiles within different country groups from the Uruguay Round to the DDA. It also examines the impact of norms and ideas on the bargaining power of both Canada and Japan in multilateral trade negotiations from the Uruguay Round to the DDA.

Chapter Five presents a detailed case-study of a specific area of negotiations on rules. The case-study analyses the area of anti-dumping negotiations in both rounds. The chapter presents the background of the use of anti-dumping negotiations before and during the Uruguay Round as well as during the DDA. It provides an overview of the negotiations, an analysis of the negotiation preferences of Canada and Japan, and analyzes the factors conditioning their bargaining power in the anti-dumping negotiations of both rounds.

Chapter Six presents a detailed case-study of a specific area of the negotiations on market access. It analyses the specific area of non-agricultural market access negotiations in both rounds. In a first section, the chapter introduces the idiosyncratic dynamics of market access negotiations. It then provides an overview of the market access and non-agricultural market access negotiations of the Uruguay Round and DDA and analyzes the conditioning factors of Canada's and Japan's bargaining power within them.

Chapter Seven provides an overview of the more important findings in the individual sections above and presents concluding remarks.

Chapter 2: Conceptualization of bargaining power in the GATT/WTO.

2.1: Introduction.

The previous chapter introduced the concept of bargaining power in multilateral trade negotiations and briefly noted that it is of considerable complexity. It provided some initial indications on how the hypothesis of this research is to be tested. In this chapter, the analysis continues by providing a full conceptual framework of bargaining power in multilateral trade negotiations. This contributes to the overall thesis in mainly two ways. First, it allows a specific definition of the complex concept of such bargaining power to be provided. Secondly, it provides a necessary theoretical framework with specific indicators for measuring bargaining power. It thus outlines specifically how the research hypothesis is tested and how the importance of the conditioning factors mentioned in the previous chapter is measured.

Being a member-driven organization, the GATT/WTO does not institutionally delegate power to a board of directors or the institution's head. It thus differs substantially from other international organizations such as the International Monetary Fund (IMF) or the World Bank. Power is determined by the member countries themselves and depends on the multilateral trade negotiations between them. The multilateral trade regime has experienced an increasing complexity of economic diplomacy. A growing number of actors are involved in decision-making and increasingly more factors influence the processes of economic negotiations, which take place on an increasing range of issues. The power structure that long existed in the trade regime represented by the GATT seems to have shifted. The US and the EU appear to have lost their hegemonic role in the negotiations. In the current DDA it even seems that the leadership of these developed country majors is being challenged by developing countries and emerging markets such as Brazil, India and China. It is thus increasingly unclear which countries actually exert power over others and why these countries are able to possess such power. Accordingly, the study of power, especially in multilateral trade negotiations, remains very important. This chapter reviews different theoretical topics associated with the study of power at

different levels. The aim of the chapter is to propose a set of suitable indicators for an analysis of bargaining power. The chapter outlines the state of play of what has been said about factors that can determine bargaining power in multilateral trade negotiations.

There are a number of possible definitions of power. Barnett and Duvall define power as “the production, in and through social relations, of effects that shape the capacities of actors to determine their circumstances and fate” (Barnett and Duvall, 2005, p.42). It can be defined as the “capacity to withstand pressure or, to put the other way around, to force other actors to give in” (Schneider, 2005, p.672). Weber defines it as the “probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability exists” (Weber, 1947, p.25). Dahl offers another general definition of power: “A has power over *B* to the extent that he can get *B* to do something that *B* would not otherwise do” (Dahl, 1957, pp.202-203). Dahl provides a further specification of the concept of power by pointing out different factors within it. He distinguishes between the “base”, the “means”, the “amount” and the “scope” of the power of an actor. The base is composed of the resources of an actor. The “base” must be used if an actor wishes to exert power, i.e. change the behaviour of another actor. Dahl defines the “means” as the instruments of this use. The “scope” is the type of reaction of actor *B*. Finally, the “amount” of power is the probability that actor *B* acts according to the preferences of actor *A* (Dahl, 1957, p.203).

It is clear that these definitions are far too general. Who are the actors? And what factors allow them to determine their circumstances? How can the importance of the “power to coerce”, “institutional power” and “analytical power” be separated? To what extent are notions such as “legitimacy”, “reputation” and “values” important? Furthermore, other elements such as the resources that a country dedicates to them become important in multilateral trade negotiations. How much money does a country dedicate to the negotiations at the WTO? How many negotiators does a country have at the WTO? What kind of representation does the country have in Geneva? What are the backgrounds of the negotiators? What is their reputation? What is their level of expertise? These general definitions already illustrate two basic elements of the concept of power. First, power always has to include an element of

coercion. Actor *A* forces actor *B* to do something “that *B* would not otherwise do” (Dahl, 1957, p.203). Secondly, they illustrate the importance of the element of ascription (the attribution of something to a cause). Power is exerted by one actor over another. In order to prove the existence of power, it is necessary to demonstrate that the behaviour of actor *B* is actually caused by actor *A*. The first literature review on the concept of power in international relations focuses on basic conditioning factors of power as well as different theories attached to it. The second review then focuses specifically on power in multilateral trade negotiations. It includes an overview of the theory of economic diplomacy as well as negotiation theory. It presents a taxonomy of different facets of bargaining power in multilateral trade negotiations. Finally, the chapter outlines different specific indicators that can be used for an analysis of this bargaining power.

2.2: Power in international relations.

2.2.1: Theoretical approaches to power in international relations.

The basic actor on which this analysis focuses is the state. This analysis of the concept of power is based on the relations between different states. A useful starting point for the conceptualization of power is an analysis of different theoretical approaches dealing with power in international relations. By analyzing these theoretical approaches, the section distils the basic ingredients, or conditioning factors, of power in international relations. According to realist or neorealist approaches and their variants, international relations between states take place within a constant state of anarchy. Within this anarchy each state aims to protect its national security and to secure its survival by means of its military and economic capabilities. In order to secure its survival, each state tries to accumulate as many military and economic resources as possible. As these capabilities dominate relations between states, they are a basic ingredient of power in these relations. The basic emphasis of this theory is thus on the attributes of the actor itself.

Approaches of structural realism illustrate this by referring to a theory of balance of power. Such a balance can be achieved by arms races and the factors of “economic

capabilities” and “military strength” as well as alliances (Waltz, 1979, p.118). Similarly, Mearsheimer’s structural approach of offensive realism refers to a balance of power (Mearsheimer, 2001). According to this, power is mainly defined by military strength. Mearsheimer mentions different types of military power such as independent sea power, strategic airpower, land power and nuclear weapons (Mearsheimer, 2001, p.83). The balance of power can be shifted by economic strength and diplomatic means such as forming alliances (Mearsheimer, 2001, p.33-34). Stephen Walt mentions military and economic capability and adds natural resources, as well as population, as important factors in national power (Walt, 1987, p.263). Other authors such as Holbraad, Finlayson and Westen refer to population as an ingredient of power when defining middle powers (Holbraad, 1984; Finlayson and Weston, 1990). In addition to that, both the land size and the geographical location are important factors for determining the power of a state. Land size and location can be important because of geopolitical considerations such as potential alliance formation or regional hegemony. In combination with military capabilities, these factors are strongly related to a country’s security- orientated foreign policy and the concept of political power. Although political power can be related to these material factors, it is largely dependent on ideational factors. The importance of these factors is analyzed in more detail below.

Realist approaches to international relations theory suggest that military and economic capabilities are two fundamental ingredients of power. The diplomatic process of forming alliances plays a role and can be regarded as a means to be temporarily able to profit from the capabilities of other states. However, resources can not automatically be translated into capabilities. The will and skill of the actors are also important. For example, the will and skill of an army evidently plays a role in determining its effectiveness (Strange, 1996, p.18). Knorr also refers to the importance of skill (Knorr, 1973, p.193). Military and economic capabilities can also generate power when they are not used, for example through deterrence.

The approach of institutionalism and its variants such as neoliberal institutionalism, as well as regime theory, are helpful in identifying another level that affects interactions between states. According to these approaches, international regimes can overcome the anarchic character of the international system, and structure the

interaction between states. These international regimes, for example in the form of international organizations, can “regularize behaviour and control its effects” (Keohane and Nye, 2001, p.17). According to Krasner, these regimes are “implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations” (Krasner, 1983, p.17). Regimes create rules for the interaction of states and create a forum for negotiation as well as for the exchange of expertise. They structure the patterns of interaction, provide an informational environment, reduce uncertainties about other actors and reduce transaction costs of state interaction.

As these theoretical approaches to international relations suggest, not only the material attributes of states influence their interaction. The structures in which this interaction takes place are important as well. Power in international relations can be related to the ability to influence or control these structures. Such power can be obtained from international organisations or other types of regimes. In the case of international organisations, the institutional design of the organisation itself can have an impact on the negotiations within it. Actors that benefit from this impact obtain institutional power. According to Strange, the structures of other international regimes play an important role. Power can be defined as being able to determine the structure of the international political economy within which other actors operate (Strange, 1988, p.25). This type of power is to be found on four different, but related structures: the security structure, the production structure, the financial structure and the knowledge structure. Controlling these structures is a source of power (Strange, 1988, p.26). Another ingredient of power in international relations is the ability to influence or control the structures these relations take place in, be they in international organizations or other regimes.

Social constructivism emphasizes the importance of the way in which the state interaction itself as a social process influences policy outcome. The process of interaction of states, for example in the social environments of international regimes, generates identities, reputations, perceptions and ideas of the actors (Wendt, 1992). Thus, international relations are not only influenced by the material capabilities of the states and the structures in which their interaction takes place. Ideas and the perceptions of the actors also play an important role. The ability to influence these

ideas or to control and create such perceptions is an ingredient of power in international relations.

How could such power be exercised? Not only the real material capabilities and the actual use of them are ingredients of power. The ability to shape the perceptions that others have of these capabilities is important as well. This is a fundamental element of military deterrence. Control over perceptions of the future development of capabilities, for example in the form of economic development, can be important. One way of obtaining such power is to exercise practices that help create a certain reputation, such as summits of the BRICs with the aim to create an image of them as important emerging markets. Control over norms can be a source of power. This can be achieved by the dissemination of information through diplomatic channels or in public, in order to raise or put emphasis on certain issues. Debates on transparency, fairness and the need for economic development of developing countries illustrate the relevance of norms in the WTO. Control over such norms or the ability to influence them are sources of power. They define the expectations of actors and the idea of legitimate behaviour, thereby shaping their behaviour (Checkel, 2005).

A related ingredient of power is the ability to change the preferences of other actors through persuasion, for example through principled debate (Checkel, 2005). An illustration of this is Stephen Lukes's three-dimensional view of power, according to whom the "absolutely basic or common core to, or primitive notion of lying behind, all talk of power is the notion that A in some way affects B" in a significant manner (Lukes, 2005, p.30). Thus B does something that he would not otherwise do because of the influence of another actor. Lukes argues that there are three dimensions of power. The one-dimensional view focuses on concrete, observable behaviour and on the actual decision-making of actors. The focus of this view is on a direct and observable effect that one actor has on the decisions of another. Another implied notion is the existence of an observable conflict between the actors. This conflict becomes apparent by the study of observable interests or preferences over specific issues that are in conflict. The two-dimensional view includes conscious and unconscious determination of the issues that the actors deal with in the analysis. An actor has power if he manages to prevent potential issues over which there is an observable conflict from appearing on the agenda. According to the third view of

power, an actor can obtain power over an actor by changing his preferences (Lukes, 2005, p.27).

As Barnett and Duval point out, power can be expressed in different ways (Barnett and Duvall, 2005, p.3). The theoretical body of literature dealing with taxonomies of these different types of power is a further important source for this thesis. Barnett and Duvall offer a taxonomy which is based on two elements. First, they distinguish two ways of how power can be expressed: through interaction of specific actors or through social relations of constitution. In the first case, power works through interactions between actors that already exist. The second type concerns power through social relations of constitution. According to this concept, the actor is not given, but is itself produced and shaped (Barnett and Duvall, 2005, p.9-10). Secondly, the social relations through which power works can be either direct or diffuse. In the case of direct social relations, one actor has a direct, immediate and specific relationship with another. In the case of diffuse social relations, the relationship can be less specific and at a distance. For example, power can operate through the rules of institutions which act to advantage or to disadvantage certain actors within them. As a result, Barnett and Duval distinguish between compulsory power, institutional power, structural power and productive power.

Compulsory power is that where one actor is capable of getting an actor to do something that he would otherwise not do. Actor A is capable of getting actor B to do something because of material or ideational resources that A can use to alter the actions of B. These resources go beyond the mere material and can include symbolic or normative resources. When it comes to institutional power, actor A does not have direct control over B's actions, but rather influences him in indirect ways, for example in formal or informal institutions. The first major difference from that of compulsory power is that the institution is not a resource of A and exists independently from it. Secondly, there is a certain distance between the two actors, which can be spatial or temporal. Formal or informal institutional contexts can advantage or disadvantage certain actors.

Structural power is concerned with the structures or social positions of an actor that determine and constitute the actor itself. Such structural positions affect social

privileges as well as the self-understanding and social interests of actors. For example, in a capital-labour relationship, the owner of a factory has more social privileges than the workers. In addition, this structural relationship influences the perceptions and self-understanding of the workers. This view of structural power is helpful for our analysis. Barnett and Duvall emphasize that structures, for example the global production structure, not only affect state relations in a material way. They also function as a constitutive structure of the identities, perceptions and ideology of the actors. Historical materialists such as Gill and Law point out that the structure of transnational capital determines the ideology as well as the interests of state actors (Gill and Law, 1989, p.496). World-systems theorists argue that the structure of production can form identities as well as the preferences of states. These identities and preferences create a reputation of certain states as being the centre, and of others as being at the periphery of economic relations (Wallerstein, 1998). Finally, productive power is not concerned with direct constitutional social processes as structural power, but rather with diffuse social processes. It focuses on discourse and systems of signification that are socially constructed (Barnett and Duvall, 2005, p.20-21).

2.2.2: Elements of power in international relations.

From the different theoretical approaches mentioned above, I conclude the following on the concept of power in international relations. Interactions between states can take place on different levels. First, on the level characterized by direct interaction influenced by material capabilities. Secondly, on the level of indirect interaction through material structures, and thirdly on the immaterial level of interaction characterized by the importance of ideas, conceptions, identities and reputations. Ingredients of power can be found on each of these levels and can take different forms. On the first level, military and economic resources and their transformation into economic and military power are important. Military power can, for example, take the forms of independent sea power, strategic airpower, land power, and nuclear weapons. Economic power can be determined through market size as well as the degree of technological development of the economy of a country. Another important ingredient of power is the size of the population. The land size and

geographical location of a country are also significant factors. This first level focuses on the importance of the inherent material characteristics of the basic actor in international relations, the state itself.

The second level relates to the importance of structures within which these states interact. These structures can take the form of international organisations and affect state interaction through their institutional design. They can take the form of other international regimes such as the security structure, the production structure, the financial structure and the knowledge structure. They can affect how states interact both on a material level as well as on an ideational level, for example by shaping beliefs, identities, perceptions and interests. Control over any of these structures, or the ability to shape them, are further ingredients of power in international relations. Thirdly, states interact at a social level, where factors such as perceptions, identities, reputations, norms, interests and preferences play a role. Control over these aspects of socialisation is an ingredient of power. Such control can be exercised by creating images and reputations through the use of material structures, through persuasion or through social practices. In addition to material aspects such as military capabilities and geopolitical location these factors largely determine the political power of a country. This is because these elements can be used to influence political discussions both at the domestic and international levels. This section has provided an overview on three basic levels or areas in which states interact and which are important for an analysis of power in international relations. In order to analyze bargaining power in the specific field of multilateral trade negotiations, it is necessary to further specify relevant areas of analysis.

2.3: Power in multilateral trade negotiations.

Drawing from the insights on the concepts of power outlined above, the following section addresses the concept of bargaining power in multilateral trade negotiations. Bargaining power is the ability to influence another negotiating party in order to obtain an advantageous outcome of an agreement. This thesis examines the negotiation processes between states in multilateral negotiation rounds of the GATT/WTO. It deals with the relations of different states within an international

organisation and so it is necessary to define the actor that has the bargaining power being analyzed. States are not unitary actors that conduct multilateral trade negotiations. The principal actors are governments, which are represented by ministers or trade officials in the negotiations. This part of the study presents the bargaining power exercised by these key trade representatives or relevant ministers. In order to determine the ingredients of bargaining power in the economic diplomacy conducted in GATT/WTO negotiations, a literature review of the theory of economic diplomacy and bargaining theory is provided below.

2.3.1: Theories of economic diplomacy.

This section aims at briefly clarifying the basic scope and content of the concept of economic diplomacy. Diplomacy can be defined as “the management of relations between states and between states and other actors” (Barston, 2006, p.1). Economic diplomacy can be broadly defined as the process of international economic decision-making and negotiation (Bayne and Woolcock, 2007, p.21). The instruments used by economic diplomacy range from informal negotiation and voluntary cooperation through regulation, for example in the form of codes of conduct, to the enforcement of binding rules (Bayne and Woolcock, 2007, p.4).

Before presenting different sets of theories relevant to economic diplomacy, it is important to outline the different levels that are pertinent for decision-making processes within economic diplomacy. An essential element of economic diplomacy is its multi-level nature. As Deese points out, economic diplomacy is a “multiple-level and issue bargaining game” (Deese, 2008, p.16). As mentioned above, the basic focus of analysis is the bargaining power of states represented by state officials. The officials represent the government of a state, which itself is elected by the public in democracies. In the case of a democratic country, a trade negotiator constantly has to take into account conflicting public interests. As democratic governments are dependent on the political support of the domestic population, they must have constant regard for the pressure of interest groups. Accordingly, an important area where indicators for bargaining power can be found is the degree of domestic support for current international trade goals of negotiators. Without such support, trade

negotiators will be less able to make credible offers or threats in multilateral negotiations. Even a large domestic market does not result in internationally credible bargaining power if the domestic political opinion is against trade liberalization. This importance of both the international and the domestic level for economic diplomacy is illustrated by Putnam's two-level game metaphor (Putnam, 1988).

Trade negotiators also have to take into account the positions of organized non-state actors, such as business interest groups and NGOs. The role of these non-state actors has increased considerably since 1990, and interaction between these actors takes place transnationally. Trade negotiators must not only take into account domestic political pressures, but also other foreign policy objectives that might compete with current trade policy objectives. As Destler points out, the "economic complex" has to manage trade liberalization while the "security complex" manages security-related foreign policy objectives (Destler, 1994). As the objectives of these two policy areas can compete with each other, the pressures resulting from such competition are important for the exercise of bargaining power in trade policy. Credible bargaining power in trade policy can only be exercised if the security-related foreign policy does not clash with it. The two policy areas can be mutually reinforcing and could be used by trade officials to maximize bargaining power. The importance of these different areas of economic diplomacy can be described as tensions of economic diplomacy. Key negotiators have to take these tensions into account if they want to exercise bargaining power (Bayne and Woolcock, 2007, p.7-10). As mentioned above, market developments are also important for decision-making in economic diplomacy.

Concerning the different theories of economic diplomacy, one set of systemic theories tries to analyze the dynamics at the international level. Realist approaches to systemic theories highlight the importance of structures of power and relative power relations. Hegemonic stability theory argues that the coercive power of a hegemonic state is necessary to ensure the functioning and the compliance with the international trade regime. US hegemony was essential for the establishment of the GATT. Similarly, the declining power of the US could explain the weakening of multilateralism as well as the increase of bilateral or regional FTA negotiations (Gilpin, 1987). Another realist systemic approach is dependency theory, which argues that developing countries will remain underdeveloped, because the core

developed countries will be privileged by superior gains from the liberal trading system. Neoliberal institutionalist approaches and regime theory are relevant for economic diplomacy. International institutions play an increasingly important role in economic negotiations. The rules-based system of the GATT/WTO has been progressively strengthened and has resulted in increased interdependence and cooperation between member states. As a result, relations between member states are not simply determined by relative power. As institutions create commonly-accepted rules and values as well as a binding character of commitments, they increase the degree of binding of their member countries' policy options (Bayliss and Smith, 1998).

A second set of theories analyzes the domestic level (Frieden and Rogowski, 1996). Here, a major difference between societal factors and state-centred factors can be identified. Societal factors focus on different interests that exist in the society of a state and compete to determine national preferences in the negotiations. The interests can be distinguished from factors such as land and capital (Garret, 1988) or by comparison of different industry sectors. For example, industries with offensive and defensive interests that compete with each other play an important role. Other theories cover state-centred factors. The institutional framework within which policies are defined, for example the fact that a government is divided between different parties, can influence the eventual outcome (Milner, 1997). Different departmental interests can affect coordination of national policy. The institutional structure of national decision-making can influence the degree of autonomy of the negotiators. Furthermore, ideologies such as the paradigm of liberal trade that regained influence after the Second World War can be important and shape the outcomes of trade negotiations (Goldstein, 1988). Finally, individual negotiators themselves can play an important role in shaping the outcomes. This can be particularly important during summits and ministerial conferences.

2.3.2: Theories of negotiation and bargaining.

After the review of different theoretical approaches to economic diplomacy it is necessary to analyze different theories of negotiation and bargaining. Rationalist

models of negotiation focus on the principal-agent model. The state is seen as the agent and different national interests as the principals. The government tries to act according to the most powerful national interest in order to guarantee its re-election. The negotiating parties try to maximise their gains during the negotiations. They can move to a Pareto-optimal outcome, where each party gains the maximum without forcing the other party to do worse. The rational model of negotiation integrates attention on two different levels that interact, as was suggested by Putnam (Putnam, 1988). Economic diplomacy deals with a variety of issues, allowing for issue linkage in the negotiations. Concessions in one area can be exchanged for concessions in another. Given the principle of reciprocity in trade negotiations, this linkage of issues can be particularly important (Bayne and Woolcock, 2007, p.21-42). Constructivist approaches highlight the importance of dialogue and persuasion on the outcome. Persuasion can take place through reasoned argument, or through the dissemination of information, for example on the domestic level of a foreign country (Bayne and Woolcock, 2007, p.21-42).

The negotiation model of Odell outlines the influence that the strategies of negotiators as well as market developments can have on the outcome of the negotiations (Odell, 2000). In Odell's words, in order for a negotiation to be possible, there has to be a zone of agreement. This zone of agreement depends on the resistance points of each party, which is "the value of the worst deal a party will accept" (Odell, 2000, p.26). The BATNA is important, as it determines the resistance points of each party (Fisher and Ury, 1991). The zone of agreement is defined by these resistance points and the possibility frontier (the range of possible agreements). It changes if these points or the frontier change (Odell, 2000, p.30). In addition to this, the strategy of both parties and the mutual perceptions of their strategies play an important role. Odell distinguishes two ideal types of strategy: the strategy of distributive or value-claiming behaviour and the strategy of integrative or value-creating behaviour. The pure value-claiming strategy is that one side demands gains at the cost of the other. A pure value-creating strategy involves "actions designed to expand rather than split the pie" (Odell, 2000, p.32-33). Finally, Odell points out that market developments can be essential for shaping the outcome of negotiations. They can, for example, change the BATNA of an actor or form new alternatives to a negotiated agreement (Odell, 2000, pp.47-72).

2.3.3: Different facets of bargaining power in multilateral trade negotiations.

In order to identify specific indicators of bargaining power in multilateral trade negotiations, it is useful to establish a taxonomy of different facets of power in the multilateral trade regime. Elsig proposes a taxonomy based on structural power, procedural power and ideational power (Elsig, 2006, p.4). Institutional factors form the fourth facet of power (Elsig, 2006, p.7).

2.3.3.1: Structural power: capacities and positional strength.

Structural power can be divided into two main elements. The capacities of a negotiating party are the first element. These refer to the neo-realist concept of power, indicating that power depends on attributes of the country itself, such as economic and military capabilities, its population and size. The analysis of bargaining power in trade negotiations offered in this thesis lays a focus on economic resources and capabilities. It has become clear that in a negotiation bargaining power depends on what an actor actually has to offer. As multilateral trade negotiations are about economic concessions, the market size and other economic capabilities of each actor are important. Considering the principle of reciprocity in trade negotiations, larger relative market size increases leverage. The more a specific country has to offer, the more interested negotiating partners become in concluding a deal. This can be illustrated by Odell's negotiation model described above. The country with the smaller market size has a lot to gain from a conclusion of the deal. Accordingly, its resistance point is lower than that of the country with a larger market size. This increases the part of the zone of agreement where the country with the larger market size can get high relative gains.

To determine economic capabilities, it is necessary to establish a full economic profile of each country. This economic analysis cannot only be limited to the overall market size of a country. The existing barriers and the existing level of access of other actors to the market also have to be included. For example, market size only translates into structural power in tariff negotiations if the market in question is protected by tariff barriers, which can then be used as bargaining chips. Accordingly,

the existing barriers to market access that can be used as concessions in the negotiations have to be included as well. Such an economic analysis is helpful for identifying what an actor has to offer economically. Furthermore, it allows the determination of the economic interests of each country, such as offensive or defensive economic interests in specific sectors. The study of preferences and economic interests is important for the analysis of bargaining power. This is because it is not only determined by what an actor has to offer, but also by the extent to which each actor wishes to conclude a deal. This is illustrated by the second important element that structural power depends on: the positional strength of a negotiating party.

The positional strength is determined by the relative losses that each party would have to suffer by not concluding the deal. How dependent is an actor on bringing multilateral trade negotiations to a conclusion? This introduces the notion of BATNA, which is often mentioned as one of the fundamental elements of bargaining theory (Fisher and Ury, 1991). A credible BATNA is an important indicator of bargaining power. A credible BATNA in multilateral trade negotiations can be influenced by bilateral trade agreements or membership of regional FTAs. The link between the BATNA and bargaining power is illustrated by Dür in his article on European external trade policies in the 1960s (Dür, 2008). A more profitable BATNA translates into bargaining power owing to a central element in trade negotiations: the notion of reciprocity. Trade concessions for exports can only be obtained by reducing import trade barriers in return. The actor with the less profitable BATNA is more inclined to offer larger concessions in order to conclude the deal. Dür uses the example of an increase in bargaining power due to membership to the European Economic Community created in 1958. The member countries of this regional trade agreement had a stronger BATNA. Their bargaining power increased since the excluded countries were suffering from trade diversion effects.

An additional factor that is important for positional power is the domestic ratification of trade agreements. As Putnam points out, economic diplomacy takes place on two levels (Putnam, 1988). Agreements that have been negotiated at the international level need to be ratified at the domestic level. This introduces the notion of the

“agent slack” or the autonomy of the negotiator (Bayne and Woolcock, 2007, p.28). A strong autonomy of the negotiator can make it more likely that an agreement on the international level is reached, but can decrease the likelihood of ratification at the domestic level (Odell, 2000). This model can be further complemented by state-centred approaches to economic diplomacy. These approaches analyze the degree of centralization of a state in order to determine whether it is a “weak” or “strong” state in trade negotiations (Katzenstein, 1978). As the institutional framework within which trade policy is defined differs between states, this factor can affect the bargaining power of a negotiator. For example, a negotiator with a weak autonomy is less flexible on proposing concessions or his offers of larger concessions are less credible in the negotiations at the international level. The same can occur if the domestic political support for a concession is very low. However, it has been argued that such a ratification constraint is actually an advantage in the negotiations and increases the bargaining power of a negotiator. As Schelling stated in 1960, “in bargaining, weakness is often strength” (Schelling, 1960, p.22). However, the degree to which “Schelling’s conjecture” is practically relevant is contested (Evans et al., 1993). An example which seems to contradict it is Canada’s loss of overall credibility in agricultural negotiations of the DDA. This was due to the continued ambiguity of its negotiation position. This resulted from the defensive interests of the supply-managed industries in combination with its offensive interests in other agricultural sectors. This first facet of structural power determines the baseline on which this analysis of bargaining power is based. These factors help to identify whether there is a structural power balance or an asymmetric structural power relationship. In a second step, it has to be analyzed to what extent elements of procedural and ideational power influence this structural power relationship.

2.3.3.2: The importance of procedural power.

Procedural power depends on skills as well as resources of negotiators (Elsig, 2006, p.5). This power can be used to offset asymmetries in structural power and can thus affect the bargaining power of an actor. The “commercial intelligence networks” of a state can be an important source of bargaining power because of information sharing and analysis (Drahos, 2003, p.6). Such “network capital” can affect the bargaining

power of a country (Naurin, 2007, p.1). In highly technical negotiations, countries with highly qualified and experienced negotiators with a strong technical expertise on the issues are more likely to be influential. This is especially true for highly technical rules-based topics such as anti-dumping negotiations. The amount of money spent on a permanent representation of the country, on the personnel dedicated to representing the country and on the training of the personnel is important. Finally, the overall domestic (national) capacity for trade negotiations is important (Narlikar, 2004, p.420, Jawara and Kwa, 2003, p.22, p.274, p.294, Bilal et al., 2011, p.5).

As Odell points out, the use of different tactics, for example distributive or claiming approaches vs. integrative approaches, can affect the outcome of the negotiations (Odell, 2000). A factor that determines bargaining power would therefore be the use of the relevant tactics in a certain situation in the negotiations. The effect of a domestic ratification constraint on the bargaining power of an actor depends on tactics within the negotiations. A hard bargaining strategy can be justified by a weak autonomy of the negotiator or a large ratification constraint. Tactics of inter-linkage of different policy issues, such as “forum shopping”, can play a role. For example, different aspects of foreign policy and trade policy can be interlinked in different forums to maximize bargaining power within them. In addition, the negotiating resources that a country attributes to multilateral trade negotiations are important.

An additional interesting tactic is persuasion. This tactic can be used in a variety of ways. One negotiating party can try to lobby within the domestic level of another country and try to influence the opinions of leading industries or even public opinion. This can affect the BATNA of another party and the degree to which it wants to conclude a deal. Such control over information can change the preferences of countries themselves. This view can be illustrated by the negotiation theory of a two-level game with different industries affecting the resulting preferences of the government. If a country manages to influence interest groups on the negotiating partner’s domestic level by using information or disinformation, it can have an impact on the preferences of the negotiating partner. Influencing the preferences of the negotiating partner through such dissemination of information can affect the bargaining power of a country. Thus, the ability to control or disseminate

information in the negotiations is important. As the constructivist approach to negotiation theory points out, not only information, but also persuasion through principled debate, can change the preferences of the negotiating partner. The negotiating skills of the government's representatives to perform such persuasion are a source of bargaining power. Not only the actual economic performance affects current negotiations, but also future estimations about economic development can play a role. The gains of obtaining concessions in trade barriers granting access to a market that is still in the process of developing will be judged to be more valuable already in current negotiations. The analysis thus needs to go beyond current economic power and take into account predictions on potential development of markets. One possible strategy of persuasion for certain countries is to try to use future estimates in order to obtain bargaining power already in current negotiations.

The strategy of participating in different country groupings can be important. These groupings can be divided into three main classifications: "structural groups", based on geographic similarities or free trade areas (for example, ASEAN, MERCOSUR, NAFTA); "representative groups", which represent different interests of a country; and bargaining coalitions (Costantini et al., 2007, p.865). According to the definition of Narlikar, "a bargaining coalition is a group of decision makers participating in a negotiation, who agree to act in concert to achieve a common end. The collective defence of a common position by a coalition is the product of conscious coordination, rather than a coincidental alignment of interests" (Narlikar, 2012, p.185).² Such coalitions can be used for a pooling of power in support of specific objectives (Costantini et al., 2007, p.866, Elgström, 2001, Jones, 2010, p.99, Narlikar, 2003, p.14). They can be used to increase the bargaining power of weaker states and to overcome a situation of power asymmetry (Özden, 2003, Narlikar 2003, 2006, Odell, 2006, Kumar, 2007).

The participation in central decision-making groups, such as the "Green Room" meetings, or the most central negotiating groups, such as the Quad, FIPs or G-4, can also have an impact on a country's bargaining power. The important point is that

² Distinguishing between the multitude of different country groupings, also Narlikar points out that coalitions are "different from groupings or countries that are bound together by regional trade agreements (RTAs); some RTAs may translate into shared bargaining positions for their members, but very few RTAs (...) have actually served as a springboard for collective bargaining in either the GATT or the WTO" (Narlikar, 2012, p.185).

being able to participate in the meetings is an ingredient of bargaining power itself owing to the structure of multilateral trade negotiations. It allows a country to participate directly in the most important decision-making processes, and to obtain information in a direct way which other countries cannot. As outlined below, obtaining information first hand enables a country to transmit this information to other countries. This ability can result in an increase of its bargaining power. As a general point, the effectiveness of these country groups and coalitions can vary during different stages of the negotiations. They can prove to be effective during the agenda-setting phase, but their importance can decrease during the later deal-making phase (Birkbeck and Harboud, 2011, p.10).

2.3.3.3: The importance of ideational power.

Ideational power results from the influence of ideas and normative power in multilateral trade relations. The importance of ideas is illustrated by the constructivist approaches described above. More specifically, normative political theory suggests that these ideas, values and norms are important in negotiations and multilateral institutions (Finnemore and Sikkink, 1998). Three types of norms can be distinguished. First, general norms, for example in the case of the EU, include “support for democracy, the rule of law, human rights, good governance”. Secondly, framework norms determine “the underlying approach to market regulation”. Thirdly, specific norms or standards are specific regulatory provisions defined by the national law of a country. Note that, in order to exert normative power, norms do not have to be distinctively linked to the actor who plans to exert this type of power. Normative power can be exerted by being the first actor to implement and apply existing norms. By leading the process of implementation of norms, an actor can exert power through his own interpretation of these norms. This can then serve as an example and thus influence the behaviour of other actors (Woolcock, 2012, pp.27-29).

The use of such normative power can take different forms. For example, ideas can be a tool to frame issues (Sell and Prakash, 2004, Odell and Sell, 2006). Such framing

of issues can lead to a “normative entrapment” of a negotiator.³ Framing one’s own preferences as consistent with existing norms within an institution can have an effect on the bargaining power of actors. The importance and role of ideas is linked to civil society networks such as international epistemic communities (Haas, 1992). Individual countries can also cooperate with civil society actors, such as NGOs, in order to increase their ideational power (Drahoš 2003, p.7). This influence stems mainly from the ability of NGOs to reframe issues and debates (Steffek, 2012, p.313, Tussie and Saguier, 2011, p.10). Especially when shared by such channels of influence within civil society, such ideas can be a legitimizing device. Ideas can also be used as a tool to determine policy problems or solutions in the negotiations. Ideational or normative power is especially relevant during earlier stages of multilateral trade negotiations such as the agenda-setting phase (Tussie and Saguier, 2011, p.13).

The dissemination of information can be used to create a certain international reputation or to influence a public debate. As pointed out by the constructivist approaches above, ideas such as reputations of specific actors are the product of the social interaction between them. The specific link between the reputation of an actor and ideational power can be illustrated through framing. Zald defines framing as “specific metaphors, symbolic representations and cognitive clues used to render or cast behaviour and events in an evaluative mode and to suggest alternative modes of actions” (Zald, 1996, p.262). Actors can frame their behaviour or events in order to create certain reputations, which can then result in an increase of their ideational power in the negotiations. Such framing can take place, for example, through the dissemination of information. Studies predicting that the BRIC countries will experience a particularly strong economic development in the future already increase the importance of Brazil, Russia, India and China in the WTO today. Another way of creating such reputations is the practice of organizing regular summits, for example of the BRIC or IBSA (India, Brazil, South Africa) countries. Public debates about norms can be important for multilateral trade negotiations. For example, the question of transparency in the WTO played a role during the 1999 ministerial conference in

³ For example, Thomas, analyzing the relevance of normative institutionalism for EU decision-making, points out that “the perception of normative (in)consistency is subject to deliberate acts of ‘framing’ that link issues and choices to pre-existing ideas and prior experiences” (Thomas, 2009, p.345).

Seattle and is still important. The questions of how to address the issues of development and fairness affect the current DDA negotiations. It is clear that such norms and ideas can have an effect on the bargaining power of certain countries. Ideas and norms can affect the preferences of actors. Countries that can shape public debates through information and practices such as summitry can increase their normative power in trade negotiations.

2.4: Indicators of bargaining power in multilateral trade negotiations.

As shown in Table 2, this study analyses the following factors conditioning bargaining power: economic power, domestic politics, participation in negotiation groups/coalitions and ideational power. In addition to these factors, the importance of foreign policy and geo-strategic considerations as a general conditioning factor will be analyzed. This section focuses on the identification of relevant indicators of bargaining power in multilateral trade negotiations of these factors.

Table 2: Overview of relevant indicators of bargaining power.

Conditioning factors of bargaining power:	Relevant indicators:
Economic power:	Share of global GDP (PPP).
	Share of global imports.
	Share of global exports.
	Net outflows of foreign direct investment.
	Currency reserves.
	Degree of openness to international trade of each sector, e.g. the remaining tariff barriers in trade in goods or services sectors that remain protected.
	Concessions made to key trading partners through bilateral and regional FTAs.
Domestic politics:	Ability and willingness to make concessions in relevant sectors, degree of defensiveness and influence of domestic interest groups.

	Domestic cohesion: degree of cohesion of member states or administrative parts (e.g. provinces) of a country.
	Use of claiming or distributive negotiation tactics in attempts to obtain bargaining power from domestic ratification problems or limited domestic political support.
	Type of institutional links between influential domestic interest groups and trade policy decision-makers (e.g. formal and informal consultation channels).
Participation in central negotiating groups / coalitions:	<u>Participation in negotiating coalitions:</u> Indicators for a gain in bargaining power through the mere participation in the coalition for all participating countries: <ul style="list-style-type: none"> - degree of increase of technical expertise through participation as well as cost sharing of information gathering. - information sharing. Indicators for a potential additional gain of bargaining power for certain participating countries: <ul style="list-style-type: none"> - number of participants and economic power of the coalition. - degree of cohesion and unity within the coalition. - degree of overlap between the overall bargaining position of the coalition and the preferences of the member country. - official role of the member country within the coalition (e.g. role of representative or coordinator of the coalition).
	<u>Participation in central negotiating groups at the top of the “pyramiding process”:</u> <ul style="list-style-type: none"> - relative advantage over non-participating

	<p>countries, for example through a gain of information, expertise and technical competence.</p> <ul style="list-style-type: none"> - direct participation in the negotiations within these most exclusive negotiation groups.
Ideational / normative power:	Reference made to norms or ideas as a reason to pursue the interests of specific countries, for example in the form of proposals or comments during the negotiations.
	Reference made to norms or ideas within specific bargaining coalitions as a reason to provide a country with a specific role in the coalition, such as a role as representative or coordinator.
	Gain of legitimacy, for example through the ability to frame the participation in central negotiation groups in order to create a certain reputation in the negotiations.

Economic power.

The first important factor is economic power and an important aspect of this is the size of the country's economic market. This relates to Schelling's basic definition of bargaining power as the power to hurt (Schelling, 1966, p.2). Economic power thus depends on the relative market size of different actors, which determines what an actor has to offer in the negotiations and how relevant or interesting this offer is for other actors (Steinberg, 2002, p.347-348). The larger the relative size of the market of country A, the more relevant and interesting it becomes for other countries. This provides country A with the ability to "hurt" other countries by not making the concessions that they ask for.

Landau points out that having a market that others are interested in or dependent on enables a country to make threats in the negotiations (Landau, 2000, p.12). This also illustrates the importance of being able to use threats when it comes to economic

power. Exercising economic power can take the form of making threats to other actors. For example, an actor can threaten to resist making a market access concession, which another actor is especially interested in, unless he gets certain concessions in return. In addition, an actor can threaten to withdraw certain non-binding market access concessions in case the other actor is dependent on this market access as a trading partner. This element of threats can also be important when it comes to contingent protection through anti-dumping, countervailing duties and safeguard protection (World Bank, 2013b). For example, an actor can threaten to initiate an anti-dumping investigation as a reaction to the practice of dumping. Such an anti-dumping investigation can result in the introduction of anti-dumping duties, thus decreasing existing market access for the country facing the duties. Threats of initiating an anti-dumping investigation are more effective when used against countries that are dependent on existing market access as a trading partner. Furthermore, economic power can also be influenced by domestic legislation opening the scope for market closure. As shown in the later analysis, both Canada's and Japan's overall market size relatively decreased from the Uruguay Round to the DDA. As illustrated in the next chapter, their relatively lower share of world GDP and share of global imports and exports suggest a decrease in their bargaining power from one round to the other.

This ability to hurt not only depends on the size of the market, but also on the level of existing protection of the market and the specific sectors in question. If a large and important market has already been largely opened up, it does not provide the actor with any ability to hurt others. The binding concessions already made in each specific sector thus have to be included into the analysis. This point is relevant for binding concessions, such as "bound tariffs", where an actor cannot easily threaten to restrict existing access beyond this point. As a result, the still-protected areas of an economy, in which actors can make concessions that are relevant and important for other actors, are one factor determining bargaining power.

This can be illustrated, for example, by Canada's and Japan's negotiation profiles in the market access/non-agricultural market access negotiations during the Uruguay Round and DDA. Because of significant tariff concessions made during the Uruguay Round, both Canada and Japan now have less to offer in terms of tariff reductions.

This reduces the amount of bargaining chips that they can use in non-agricultural market access negotiations of the DDA. In addition to this, the combined sectors still protected by remaining higher tariffs during the DDA, only account for a smaller share of total imports than was the case during the Uruguay Round. This point highlights the importance of market size mentioned above. This reduced ability of both Canada and Japan to make concessions is a factor suggesting a decrease in their bargaining power, especially in non-agricultural market access negotiations during the DDA.

As a result of a small relative market size and low relative ability to make relevant concessions, patience becomes an important factor controlling economic power. The country that is less interested in the agreement can more easily wait until the other country that is more interested agrees to make additional concessions (Oatley, 2011, p.56-58, Epifani and Vitaloni, 2006, p.8, Steinberg, 2002, p.347-348). This factor is related to the domestic political level of the negotiating countries. Another important factor related to patience is the outside option of each actor (Steinberg, 2002, pp.347-348, Oatley, 2011, p.56-58). As Landau points out: “the ability to walk away from a deal is the ultimate source of bargaining power” (Landau, 2000, p.12). A general point relating to economic power is the fact that such economic concessions, for example on market access, can be traded against concessions in other market access issues or in rules-based negotiations by issue linkage. The importance of an exchange of concessions through issue linkage is strongly associated with the conditioning factor of domestic politics and will be outlined in further detail below.

As outlined above, the current market size and degree of openness is an important. This study also includes future predictions on economic market size and development in the analysis. These predictions can be especially important for negotiations on market access, for example in the area of non-agricultural market access negotiations. Once bound tariff concessions are given they remain permanent. As a result, when a sector or market protected by former reduced tariffs subsequently grows and thus its share of imports increases, the resulting benefit of the tariff reduction will increase as well. Tariff reductions in sectors or markets that are predicted to grow thus have an increased value in trade negotiations. The relative size of the economic markets of both Canada and Japan are currently predicted to

decline in the short-term. Long-term calculations also predict a relative decline in their economic markets, especially in comparison with emerging markets such as India, Brazil and China. This already affects their bargaining power in multilateral trade negotiations, especially in the non-agricultural market access negotiations of the DDA.

As shown in Table 1, useful indicators of economic power are the global share of GDP (PPP) and the global share of imports. The share of world imports, as well as world exports of a country, are also useful indicators (Odell, 2007, p.10). An analysis of the sectorial composition of the total economy as well as of the sectorial composition of both exports and imports is important. The net outflows of FDI and its main recipient countries, the currency reserves and the financial assets, are important (Odell, 2007, p.10). These indicators have to be analyzed from the beginning of the Uruguay Round onwards. The degree of openness to international trade of each sector needs to be included, for example, in the form of the remaining tariff barriers in trade in goods (both bound and applied tariff rates) or the level of protection in services sectors. The concessions made to key trading partners through bilateral and regional FTAs have to be included.

Domestic politics:

As already pointed out, domestic politics are important for the economic power of a country. The domestic level is one on which factors that condition bargaining power can be found. Domestic politics, overall domestic cohesion and domestic institutions are important factors that influence bargaining power. As stated in Table 1, domestic politics is relevant, for example, if influential defensive interest groups prevent a country from offering economic concessions in specific sectors. The ability and willingness of a government to use the resulting economic power is thus important. The economic indicators above only result in economic power for a country if that country is both able and willing to use them. The defensiveness and influence of specific domestic interest groups has to be included in the analysis. Two specific examples are the defensive interest groups in the Japanese agricultural sector and the Canadian supply-managed agricultural sector which have been consistently

influential throughout the Uruguay Round and DDA negotiations. These interest groups limited the ability of both Canada and Japan to make more substantial concessions in these sectors in the Uruguay Round. They also continue to limit their ability to use concessions in these sectors as bargaining chips in the DDA.

The importance of these offensive and defensive interest groups is not limited to the negotiations on specific issue areas. This is because of issue linkage between topics in multilateral trade negotiations. For example, the interests of offensive and defensive interest groups in the agricultural sector are not only limited to the economic power of the country in negotiations on agriculture. Through issue linkage, concessions in agriculture can also be used as bargaining chips in the negotiations on other issues, such as non-agricultural market access. Considering the principle of reciprocity mentioned above, issue linkage illustrates the importance of domestic politics as a conditioning factor of bargaining power, as it plays out at the domestic level. If country A demands a concession from country B, it has to be able to offer bargaining chips in return. On the domestic level, this means that the country A has to compensate country B for not protecting the interests of certain domestic groups (which are, for example, opposed to making the concession in question). This compensation can take the form of a reciprocal concession in negotiations on another issue, which other interest groups of the country demand. As a result, the domestic “political cost” of making concessions in one issue area can be offset by gaining reciprocal concessions in return in another issue area. The dynamic of issue linkage demonstrates the importance of domestic politics as a conditioning factor of bargaining power. Such issue linkage occurs, for example, between agriculture and market access/non-agricultural market access in the Uruguay Round and DDA negotiations. Furthermore, issue linkage is relevant in market access/non-agricultural market access and anti-dumping negotiations. Japan especially was able to increase its bargaining power in the anti-dumping negotiations of the Uruguay Round by offering concessions on non-agricultural market access negotiations, for example to the US, through issue linkage.

The configuration of domestic interest groups can also be an important conditioning factor of bargaining power by affecting the credibility of a country’s negotiating position on specific negotiation issues. If a country has important domestic interest

groups, with both offensive and defensive economic interests in the same area, this can result in an ambiguous negotiating position. A continuous ambiguous negotiating position can affect the overall credibility of the country and thus decrease its bargaining power. This is the case for Canada's continuous ambiguous position in the agricultural negotiations of the DDA. Prolonged ambiguity between the defensive interests of the supply-managed industries and the offensive interests of other agricultural industries has affected the credibility of Canada's negotiating position in agricultural negotiations.

The importance of domestic politics can extend beyond the configuration of domestic interest groups and refer to overall domestic cohesion. For example, the domestic cohesion of individual member states can be important in the case of the EU. For Canada, the domestic cohesion of individual administrative provinces, each with their own powers and preferences, can be important in international trade negotiations. The factors of domestic politics and overall domestic cohesion are important, as other countries may try to exert influence within a negotiating country. These other countries can try to influence interest groups, member states or administrative parts of a country at the negotiating partner's domestic level by the use of information or campaigns.

Domestic institutions themselves can also become important. Their analysis requires recognition of domestic power-sharing mechanisms, the number of veto players and the link between parties and interest groups. These components can affect the bargaining power of a country (Da Conceição-Heldt, 2011, p.6-8). Giving a negotiator less flexibility in the negotiations can increase his bargaining power (Da Conceição-Heldt, 2011, p.6-8), a factor related to "Schelling's conjecture". Also the institutional links between influential domestic interest groups and trade policy decision-makers are important (Da Conceição-Heldt, 2011, p.6-8). Domestic institutional structures, such as formal and informal consultation channels between interest groups and decision-makers, can influence the bargaining power of a country.

Such channels of influence exist in Canada for the defensive interest groups of the supply-managed sectors, for example in the form of official Committees or informal

bilateral meetings with policy makers and trade negotiators. Examples in Japan are the link between the domestic interest group Japan Agriculture (JA) and the Ministry of Agriculture, Forestry, and Fisheries (MAFF) and the existence of personal relationships between business interests and Japanese politicians. The importance of electoral system structure is illustrated by the Japanese electoral system, which benefits rural farmers through increasing their voting power. In Canada's case, most of the supply-managed industries are located in the central provinces of Quebec and Ontario and are thus especially able to exert influence in these provinces. They both have particularly large numbers of seats in parliament and so are very important for the federal government.

Participation in negotiation groups / coalitions.

The following section presents specific analysis of participating in negotiating groups and negotiation coalitions. This research differentiates intergovernmental bargaining coalitions from central negotiation groups. For an illustration of the indicators relevant for the analysis of gains in bargaining power from participating in these coalitions and groups see Table 1. Participation in central negotiation groups can be important. For example, participation in the groups at the top of the so-called “pyramiding process” can increase the overall bargaining power of individual countries by providing them with additional information, expertise and technical competence. An important example of such a group is the Quad during the Uruguay Round negotiations, which enabled Canada and Japan to profit from participation in this exclusive and influential decision-making group. It also enabled them to profit from an information asymmetry towards non-participating countries.

The mere fact that a country participates in a coalition can increase its bargaining power. As Naurin points out from an analysis of the role of coalitions in EU decision-making, coalitions can be seen as important networks (Naurin, 2007). The participation in coalitions itself can thus increase the expertise and technical competence of its participating members and can be used to share costs of information gathering. For example, one country can represent the coalition in central meetings and then pass information to the other coalition members. This was

the case, for example, in the G20 coalition during the DDA negotiations. The coordinator of the group participated in central small group negotiations and then passed information to the other members of the coalition. As Patel points out, coalitions can also be used to reduce the burden of technical analysis among its members, emphasising the element of exclusiveness of participation in a coalition. By the mere fact of participation in a coalition a country is able to profit from a relative advantage over non-participating members. Furthermore, coalitions can be used to enhance the “commercial intelligence networks” of a country, which are important factors in a country’s bargaining power (Patel, 2007, p.11).

A member country can profit from additional gains in bargaining power beyond the factors of expertise, technical competence and information sharing. The analysis of the full gain of bargaining power through participating in a coalition has to go beyond these factors. Different indicators are needed when measuring the additional gain in bargaining power through participation in a negotiating coalition. The influence of a coalition can be enhanced by cooperating with civil society actors, such as NGOs (Tussie and Saguier, 2011, p.10). The number of participants of the group and its economic power are vital. A large group with strong economic power is more likely to be influential in the negotiations. The share of the global GDP of the group members and their share of global imports and exports are important indicators, which are helpful in determining the overall influence of a coalition. Its overall influence has to be known, to determine to what extent a member country can gain additional bargaining power from participating in a coalition, and it defines the potential additional gain of bargaining power for the participants. If a coalition does not represent a major share of world markets, and does not have an influential profile in the negotiations, its members are unlikely to profit from gains in bargaining power beyond the advantages of information sharing, gain in expertise and technical competence.

To what extent the group is able to make use of this economic power in the negotiations has to be analyzed. The unity of the group and the degree of cohesion within the group are important (Costantini et al., 2007, p.868, Rubin and Brown, 1975, p.199). The total number of participants, the diversity of individual country objectives, resource-based structural interests, shared identities among members, the

degree of institutionalization of the group and leadership of certain countries within the group determine the degree of cohesion (Narlikar, 2003, p.33, Odell, 2000, p.50). Cohesion can also be influenced by the type of the coalition, either more bloc-type or more issue-based. Achieving unity within a coalition can result in a very general and broad negotiating position, which can weaken the overall influence of the group (Drahos, 2003). An example of the importance of cohesion in a coalition is the profile of the Joint Proposal group during the TRIPS negotiations of the DDA. The Joint Proposal group only had low cohesion and fluctuating membership, with Japan stopping its sponsorship of the group's proposals from 2004 to 2008. The low cohesion resulted in a limited gain of bargaining power for Canada and especially Japan. The low cohesion of the FANs group in negotiations on anti-dumping during the DDA also contributed to Japan's inability to gain bargaining power by participating in it.

The degree of overlap between the overall bargaining position of a coalition and the preferences of a country is an indicator to be identified. A country can only profit from participating in a coalition if the final consensus of the group and the resulting bargaining position overlap with the individual negotiating preferences of the country. This is illustrated by Japan's outlier position in the FANs coalition in the anti-dumping negotiations of the DDA. Owing to its radical position, Japan was isolated within the group. This limited its ability to gain bargaining power from its participation. This factor also limited the ability of Canada to increase its bargaining power by participating in the Cairns group. This was due to Canada's ambiguous position of having both offensive and defensive interests in agricultural negotiations, interests which did not overlap with the overall preferences of the Cairns group. This shows how the domestic element of defensive interest groups of the supply-managed industries affects Canada's ability to increase its bargaining power through participation in coalitions.

Additionally the official role that a country plays within a group is important. For example, being the representative of the group in smaller negotiation groups at the top of the "pyramiding process", or being the coordinator of the group, can increase the bargaining power of a country in the negotiations. This point is related to the degree of overlap between the positions mentioned above, where an official position

can be used to increase the overlap. One example of this importance is the unclear leadership status of Japan in the G-10 owing to the influential role of Switzerland in the coalition. Another is the inability of Canada to obtain clear leadership status in the Cairns group because of Australia's dominant position in it. For a complete analysis, the extent to which other negotiating countries that oppose these specific preferences can themselves profit from participating in bargaining coalitions has to be considered.

Ideational / normative power.

Norms are a factor that can affect the bargaining power of a country. The framing of ideas can be used to position one's own preferences relative to existing norms. This can then be used to increase the legitimacy of one's own preferences. This aspect dictates the position of a country in the spectrum of existing norms. A country with preferences considered fully aligned with the norms important for a large part of GATT/WTO membership can increase its bargaining power. As shown in Table 1, ideas and norms can be used to form specific country groups or to achieve the status of leader or coordinator within a negotiating coalition.

An example of this is the fact that the norm of internal transparency contributed to the end of the old "club model" of informal decision-making groups, from which both Canada and Japan were able to profit during the Uruguay Round. Secondly, the growing importance of norms of fairness and equality in the negotiations has generally decreased the normative power of developed countries. While this does not specifically reduce the bargaining power of Canada and Japan only, it suggests a relative loss of bargaining power in comparison with developing countries and emerging markets. By framing their ideas, Brazil and India can be seen as examples of countries trying to establish reputations of being representatives of developing countries' values. Such reputations can increase their ability to take leading roles within coalitions such as the G-20, and to increase their bargaining power. Another example is Canada's ability especially to use its participation in the Quad to create a reputation of being an "honest broker" in the negotiations and thus to increase its legitimacy.

An important point related to normative power is the logic of appropriateness that countries follow in multilateral trade negotiations. When negotiating in multilateral forums, negotiating countries follow rules of appropriateness, by which participants do not simply act according to their own preferences, as they have incentives to fulfil the expectations of the other negotiating actors with respect to the prevailing norms (Rittberger and Zangl, 2006, p.22). These rules of appropriate behaviour influence the bargaining process and can affect the bargaining power of countries. For example, the use of certain side-payments may be considered unacceptable by the standard of generally accepted norms. The logic of appropriateness can influence the value associated with a concession. If a specific concession of a country is considered to be overdue as a generally accepted consensus, its value will be decreased. The logic of appropriateness also includes time as a factor. If, for example, one country has been blocking negotiations for a long time, this factor of constant blocking will put additional pressure on this country owing to the logic of appropriateness of not risking a breakdown simply because of immobility on personal preferences. This aspect of appropriate behaviour is related to the importance of NGOs and other civil society actors that can start campaigns to apply pressure to states to act according to norms and appropriate behaviour (Rittberger and Zangl, 2006, p.23).

These different factors and indicators of bargaining power illustrate the importance of foreign policy objectives. Accordingly, the following assessment takes into account the importance of these considerations for each of the factors and indicators outlined above. How and to what extent these considerations influence and shape these indicators and factors are analyzed. These indicators can affect the willingness of a country to open its markets to another country and affect its economic power. They can influence the formation of a coalition or the specific role that a country plays within a coalition. They can also affect the ideational power of a country. Finally, they can be relevant when used as an additional forum concerning the strategy of “forum shopping”.

Furthermore, the analysis of these indicators includes the position of a particular country in the spectrum of the overall membership of multilateral trade negotiations. Bargaining power also depends on this position in the overall spectrum of

membership. If the preferences of a country are considered to be very radical compared with an existing consensus of the GATT/WTO membership, or compared with a shared position of large parts of the membership, this country is likely to lose bargaining power. On the other hand, if there is a consensus, or a widely shared position, and the preferences of a specific country align with it, this will increase its relative bargaining power compared with more radical countries. This factor can be illustrated by Japan's radical position in anti-dumping negotiations during the DDA. While this position was not perceived as radical in the Uruguay Round, it is now perceived as increasingly radical owing to a changing configuration of interests of large parts of the remaining membership. This suggests a relative loss of bargaining power of Japan in these negotiations. As mentioned above, this radical position also limits Japan's ability to increase its bargaining power through its participation in coalitions such as the FANs group.

Other background factors.

Bargaining power can be influenced by threats or inducements in the form of side-payments or through the process of "bilateral arm-twisting" (Narlikar, 2004, p.424, Jawara and Kwa, 2003, p.149, p.155). These actions highlight the importance of financial resources as a conditioning factor of bargaining power. Bilateral arm-twisting can take the form of threats against ambassadors (Jawara and Kwa, 2003, p.151, Narlikar, 2004, p.422). However, these factors of side-payments, "bilateral arm-twisting" and threats against ambassadors are only included as background factors into the analysis.

2.5: Conclusion.

The conceptualization of bargaining power offered in this thesis goes beyond the classical power-as-resources approach developed by neo-realists. According to the latter approach, relative power is primarily determined by the resources and capabilities of a country (Schmidt, 2007). The concept used in this thesis assumes that bargaining power in multilateral trade negotiations is not only determined by the

resources of military or economic capabilities but rather takes a relational or interdependent approach. Power is “a relationship in which the behaviour of actor A at least partially causes a change in the behaviour of actor B” (Baldwin, 2002, p.178). The concept of bargaining power therefore has to be analyzed in two steps. First, the structural power of an actor, which is determined by the capacities of a country and its positional strength in the negotiations, has to be analyzed. In the second step, both the procedural power, depending on bargaining skills, tactics and bargaining resources, as well as the ideational power, dependent on ideas and norms, are considered (Elsig, 2006). Sources of bargaining power can be found on these different levels.

Considering the analysis above and the hypothesis outlined in Chapter One, the analytical framework that is proposed in this thesis focuses on the following factors. Within the process of multilateral trade negotiations, bargaining takes place on three fundamental levels: between the member states of the GATT/WTO; between competing domestic interest groups and the government of the state; between and within country coalitions in the GATT/WTO regime. This study analyzes bargaining power at the level between states, while taking into account how bargaining at the two other levels influences it. The analysis of bargaining power on these different levels focuses on a country’s economic power, on domestic politics, on its participation in negotiation groups/coalitions, as well as on its normative/ideational power. With regard to the analysis of these factors, the importance of foreign policy and geo-strategic considerations is considered; the position of a particular country in the spectrum of the overall membership is also taken into account. Other factors such as intelligence and the use of information of a country, the use of side payments or “arm-twisting” and the resources spent on the negotiations, can influence the bargaining power of a country and are included as background information. A detailed list of specific indicators that the analysis focuses on is provided in Table 1.

This chapter has provided a full conceptual framework of bargaining power in multilateral trade negotiations. It has described a taxonomy of different facets of bargaining power and identified specific indicators of the different conditioning factors of these facets. On the basis of this analytical framework and these indicators for the analysis of different conditioning factors, the following chapter begins a

general analysis of the overall bargaining power of Canada and Japan in the Uruguay Round and DDA negotiations. Chapter Three begins this analysis by focusing on the structural power of Canada and Japan, the importance of domestic politics and the importance of issue linkage for their overall bargaining power.

Chapter 3: Analysis of Canada's and Japan's economic profiles and domestic decision-making structures from the Uruguay Round to the Doha round.

3.1: Introduction.

The previous chapter provided a conceptualization of bargaining power in multilateral trade negotiations, as well as a theoretical framework with indicators for its measurement. Having provided a framework for analysis, this research provides an overall assessment of the bargaining power of Canada and Japan in the Uruguay Round and DDA negotiations. As this thesis takes a relational and interdependent approach in the conceptualization of bargaining power, it takes into account the structural power of an actor, which is determined by the capacities of the country and its positional strength in the negotiations. Both the procedural power, dependent on bargaining skills, tactics and bargaining resources, and the ideational power, dependent on ideas and norms, are analyzed. Within this analysis, this chapter employs Elsig's notion of "structural power" and is based on the analysis of material capabilities as well as the "power as resources" approach outlined above (Elsig, 2006).

The chapter contributes to the thesis in three ways. First, it provides a historical overview of the development of Canada's and Japan's economic profiles since the start of the Uruguay Round. It identifies the economic "bargaining chips" of both countries. This element of "bargaining chips", or what a country has to offer, is a fundamental part of the "structural power" described above. Secondly, it deals with the first step of the analysis of bargaining power: the identification of the goals of the actors. Bargaining is fundamentally about achieving an outcome that is as close as possible to the negotiating country's goals, and against the will of other actors. Bargaining power is the ability to achieve this. The analysis of bargaining power requires as a first step an identification of the goals of the actors involved in the bargaining process. It is necessary to identify to what extent these goals have changed over time. The chapter identifies the main offensive and defensive economic interests of Canada and Japan in a historical overview from the Uruguay Round to the DDA. Thirdly, it provides an analysis of the domestic political and decision-making structures in Canada and Japan that relate to multilateral trade negotiations. It

analyzes the role of political institutions and the structures of participation of domestic stakeholders and civil society. It also presents the decision-making processes within the government and ministries. This analysis includes the evolution of these structures from the Uruguay Round to the DDA.

The chapter is divided into three parts. First, a brief overview of the economic history of Canada and Japan since World War II is provided. As background information to the analysis, a concise history of the “coming of age” of the main emerging markets follows. The first part then continues with an overview of the economic development of Canada and Japan since the start of the Uruguay Round in comparison with that of other major players. This analyzes a number of economic variables and includes other factors such as the population and the resulting size of consumer markets. It includes scenarios of the future economic development of Canada and Japan in comparison with that of other key countries. Secondly, in order to be sufficiently detailed, the chapter provides a sectoral analysis of the economic profiles of Canada and Japan since the start of the Uruguay Round. The most important exporting and importing economic sectors of Canada and Japan are identified, and their development since the start of the Uruguay Round is analyzed. The second part allows identification of the major offensive and defensive economic interests of Canada and Japan in both the Uruguay Round and the DDA. These first two parts review the “bargaining chips” of Canada and Japan in both negotiations. Thirdly, the chapter analyzes the domestic political and decision-making structures that relate to multilateral trade negotiations, which is used to identify structural domestic factors that can have an impact on Canadian and Japanese trade policy abroad.

3.2: Overview of the economic history of Canada and Japan.

A brief overview of the economic history of Canada and Japan since World War II follows, to provide a historical background for the subsequent analysis of their economic profiles. Despite the severe situation that Japan faced with the destruction of large parts of its industry and cities at the end of World War II, Japan’s economy started to expand at the beginning of the 1950s. This development laid the foundation

for a period of constant and rapid economic growth known as Japan's "post-war economic miracle". Between 1950 and the first oil-crisis in 1973, the Japanese economy grew at an annual rate of 10%. During this time, Japan experienced an expansion of its heavy industries such as the iron, steel, chemical, automobile and consumer electronics sectors. This process of rapid economic growth continued until the late 1980s (La Croix et al., 2001, p.3).

During the second half of the 1980s, however, a stock market boom and rising real estate prices increasingly led to the emergence of a "bubble economy", which collapsed in the early 1990s (Inkster, 2001, p.175). The collapse was marked by a fall of the Nikkei average in the years 1989 to 1992 (Hofmann, 2010, p.6). The resulting period of economic stagnation throughout the 1990s, known as the "lost decade", was marked by an average annual GDP growth rate of only 1 per cent (Yoshikawa, 2001, p.9). Many export industries became unprofitable. Japanese banks faced a crisis (Inkster, 2001, p.175). The volume of Tokyo's share of stock market trading fell from 41% in 1990 to 17% in 1995 (Holroyd and Coates, 2011, p.79). The Japanese unemployment rate continuously increased and reached a peak of 5.4% in 2002 (Hofmann, 2010, p.6). Initiatives from the Japanese government to strengthen the economy during the 1990s remained largely unsuccessful. The recovery of the Japanese economy was slowed down by additional external crises such as the Asian crisis from 1997 to 1998. A programme of structural reforms launched by the Japanese government in 2001 aimed at increasing productivity through a reduction of regulation and the enhancement of labour market flexibility. Further similar initiatives were launched by the Japanese government in the following years (Citrin and Zanello, 2008, p.203-217). However, the resulting economic growth still remained limited. After this period of a relative increase in overall growth, Japan's export-dependent economy shrank, especially in 2008 and 2009, because of the negative impact of the global financial crisis. The overall economic stagnation of Japan since the early 1990s has been described as the "two lost decades" (The Economist, 2009).

Canada's economic development since World War II experienced a period of rapid growth from 1950 to 1973. This was based on the staples export industries. The exports of the staples sector were agricultural products, pulp and paper, oil, iron ore,

non-ferrous metals and other minerals. The 1950s and early 1960s especially can be characterized as a resource boom period (Green, 2000, p.236). This period of constant economic growth ended in the 1970s (Green, 2000, p.230-231). The period since the late 1970s was marked by a strong expansion of the services and manufacturing sectors. The Canadian economy transitioned from an economy where growth mainly relied on the resource sector to a more complex economy based on a variety of sectors such as the services and manufacturing sectors. By 1990 the share of total generated GNP by the services sector accounted for 75% of the income generated (Green, 2000, p.240). While manufactured and partially manufactured products accounted for 12% of sales abroad during the 1950s, this figure greatly increased to 55% by the early nineties (Green, 2000, p.242).

An important point to note is the strong link between the Canadian economy and that of the US. This could already be observed during the investment boom starting in the 1950s, which resulted in the US's accounting for 80 percent of foreign investment holdings in Canada in the early 1970s (Green, 2000, p.236). For example, the Automotive Agreement of 1965 was of great importance for the development of the Canadian automobile industry. The bilateral FTA between Canada and the US, which came into effect in 1989, was subsequently expanded to become the North American Free Trade Agreement (NAFTA) in 1994, which further increased the importance of the US economy for Canadian trade. This agreement has placed the Canadian economy in an institutional framework which retains it in a position of dependence on the US (Wallace, 2002, p.18).

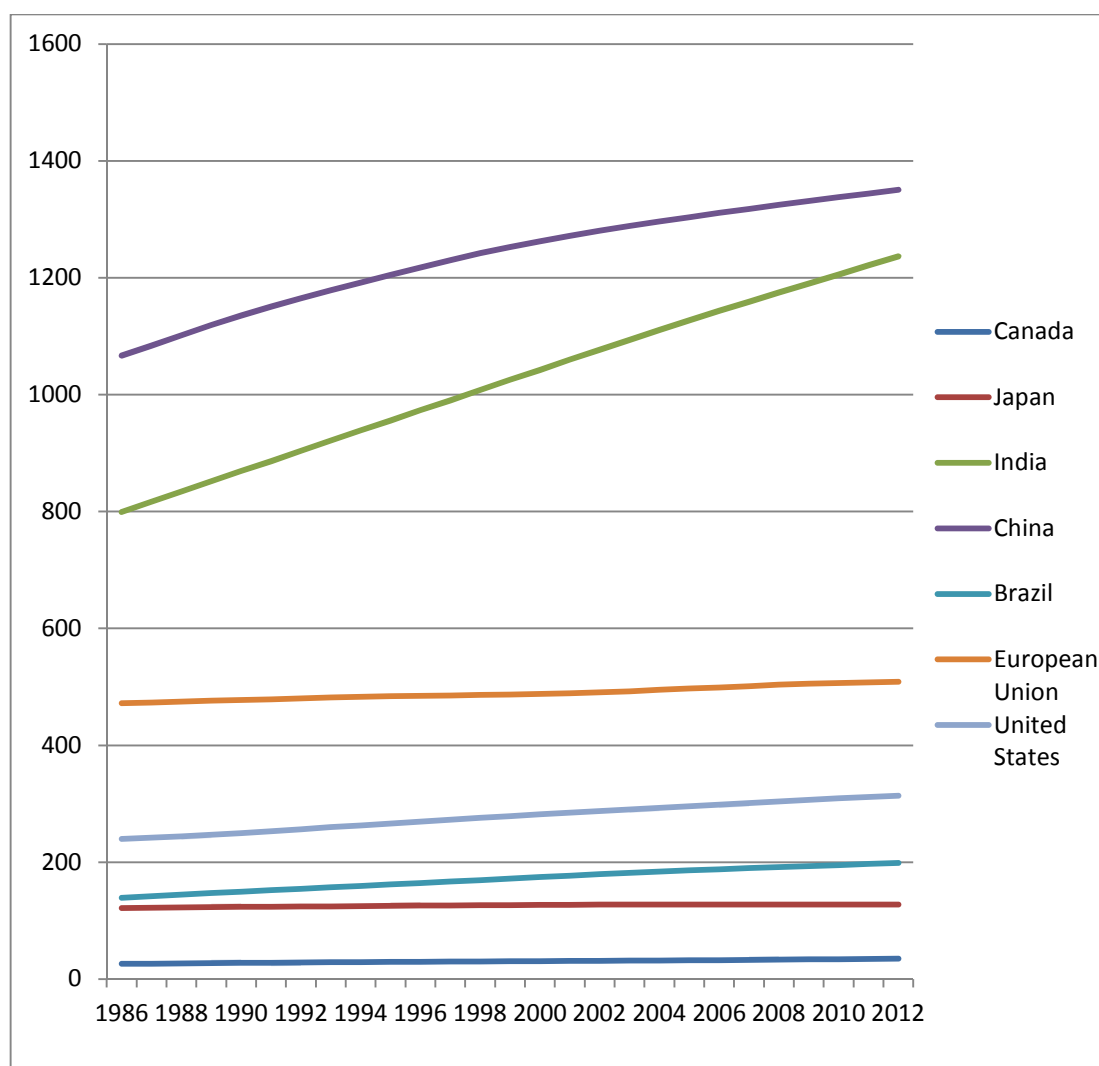
This strong link with the economy of the US also became apparent during the economic recessions that the Canadian economy experienced during the early 1980s and early 1990s. During these, Canadian exports dropped up to 8% and business investments were reduced by 20% (Bank of Canada, 2011). Canada experienced a peak-to-trough drop of employment of 5.4% from 1981-1982 and a drop of 3.4% from 1990 to 1992 (Statistics Canada, 2011). Canadian GDP shrank by 3 per cent in 1982 and decreased by 2 per cent in 1991 (World Bank, 2013a). Since the mid-1990s, however, the Canadian economy has been characterised by a period of constant growth. Canada's profile of mainly exporting natural resources decreased and its economy has continued to expand, leading to an increase of knowledge-based

exports in its international trade (Wallace, 2002, p.18). The bursting of the IT bubble in 2000 in the US had a negative impact on the Canadian economy and the Toronto Stock exchange, but did not cause Canada to enter an economic recession. The 2008-2009 global financial crisis affected Canada deleteriously and caused a contraction of Canadian GDP by 2.5% in 2009 (World Bank, 2013a). However, Canada's financial sector proved resilient to the crisis, allowing Canada to emerge from the global financial crisis much better than many other developed countries (Allen, Boffey and Powell, 2011).

3.3: Canada's and Japan's relative economic development from the Uruguay Round to the DDA.

This section provides an overview of Canada's and Japan's economic development relative to those of other major players since the start of the Uruguay Round, by using a number of different economic variables. The size of the population is included into the analysis. This is important for two reasons. First, the size of the population determines that of the consumer markets, which are an important factor for bargaining in multilateral trade negotiations. Secondly, the size of the population itself can provide an actor with legitimacy for certain claims. An example of this is India's referring to its 800 million farmers in order to justify defensive economic interests (Kleimann and Guinan, 2011).

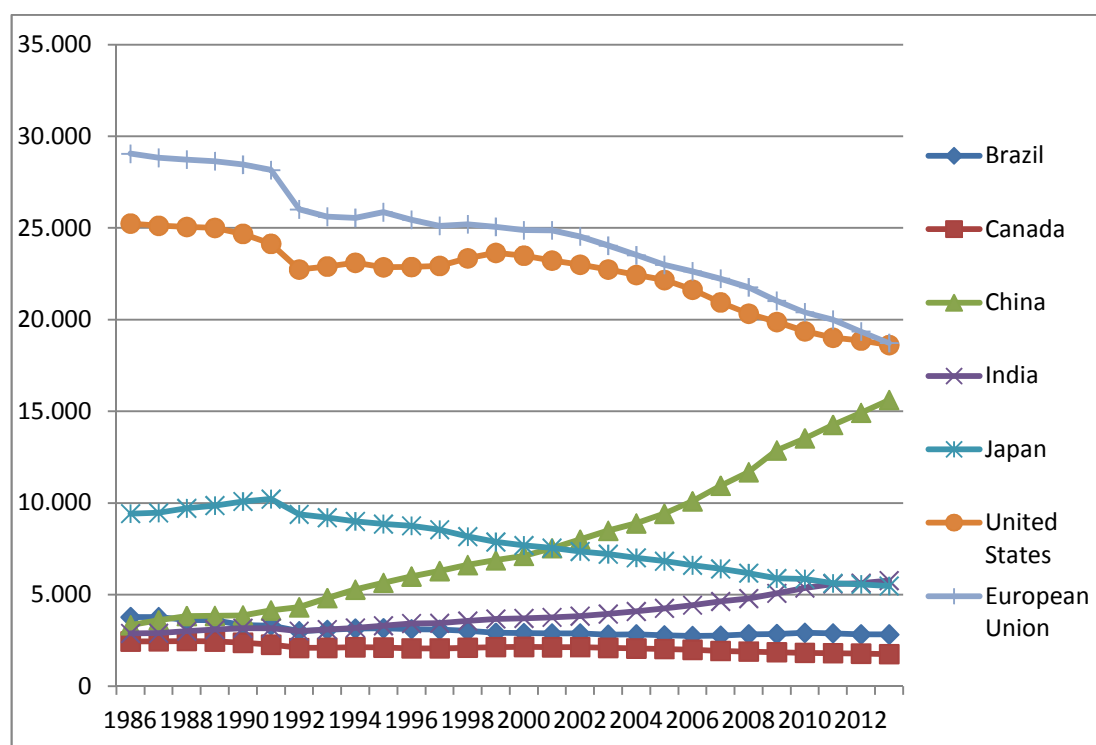
Figure 7: Population growth of Canada and Japan compared with that of other major actors, in millions, 1986-2012.



As shown in Figure 1, Canada's population at the start of the Uruguay Round was 26 million and increased slightly since then (31 million at the start of the DDA and 35 million in 2012). Japan's population of 121 million at the start of the Uruguay Round has been stagnating over the past decade (127 million in 2001 and 128 million in 2012). Brazil's population of 139 million at the start of the Uruguay Round has been growing constantly (177 million in 2001 and 199 million in 2012). The other emerging markets with much higher populations have also been growing rapidly. The Indian population of 799 million in 1986 grew to over a billion in 2001 and has reached 1.236 billion in 2012. Similarly, China joined the WTO in 2001 with a population of 1.272 billion that further grew up to 1.351 billion in 2012. The population of the EU has grown slightly (471 million in 1986, 489 million in 2001

and 509 million in 2011), while the population of the US has increased a bit more rapidly (from 240 million in 1986 to 285 million in 2001 and a population of 313 million in 2012 (World Bank, 2013a). These figures show that both Canada and Japan cannot compete with the steady increase of the populations of the major emerging markets. It highlights that their absolute levels of population have been and remain much lower than that of other central actors. The difference in population and population growth limits both their existing and future consumer markets. Having larger existing or potential consumer markets increases the ability of a country to open or restrict access to its own market as a source of bargaining power in the negotiations. As a result, the lower existing and expected sizes of their populations and consumer markets affect Canada's and Japan's economic power in the negotiations. The difference in population and population growth also decreases the relative legitimacy of proposals made by Canada and Japan, as the population they represent is smaller in comparison to other countries.

Figure 8: Percentage of world total GDP (PPP), 1986-2013.⁴



⁴ IMF estimates start after 2011.

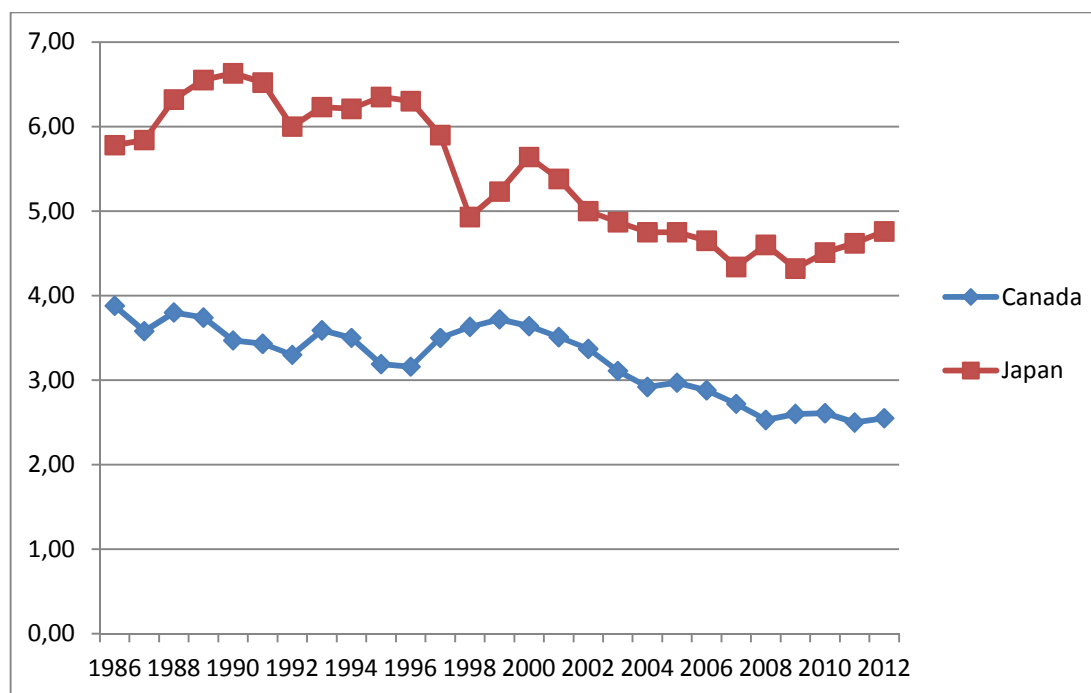
From comparison of the overall market size in the form of the share of world GDP (PPP) since the start of the DDA, it becomes clear that Japan and Canada have experienced a decline of economic power (see Figure 2). Japan started with a share of global GDP of 9.4%, which has been steadily declining since 1991 to a level of only 5.5% in 2013. Canada's share has a history of stagnation and slow decline from an initial 2.4% in 1986 to 1.8% in 2013. In contrast, India experienced a steady increase of GDP (2.9% in 1986 and 5.8% in 2013). China joined the WTO in 2001 with a global share of 7.5%, which further increased to 15.6% in 2013. Brazil's share, however, slightly decreased from 3.8% in 1986 to 2.9% in 2013. In contrast to the development of China and India, the share of GDP of the US and EU declined, especially up to 1992 and from the beginning of the DDA onwards. Overall, the US GDP has decreased from 25.2% at the beginning of the Uruguay Round to 18.6% in 2013. The EU's GDP declined from 29.1% in 1986 to 18.8%⁵ in 2013. Overall, these data show that since 1991 and throughout the DDA the relative economic power of Canada and Japan has been decreasing. The emerging markets India and China have experienced a constant increase, especially during the DDA. The share of world GDP of the US and EU has been constantly decreasing since the start of the DDA (IMF, 2013).

Another useful indicator for economic bargaining power in multilateral trade negotiations is the share of world imports that a country buys (Odell, 2007, p.10). As Figure 3 shows, the share of global imports of merchandise trade of both Canada and Japan has decreased from the Uruguay Round to the DDA. While Japan had a share of 5.78% in 1986, this decreased to 4.76% in 2012. Its share increased during the Uruguay Round but from then has experienced an overall decrease since the start of the DDA. Canada's share decreased from 3.88% at the beginning of the Uruguay Round to 2.55% in 2012 (WTO, 2014b)⁶.

⁵ This figure indicates the combined GDP of all 28 member countries of the EU.

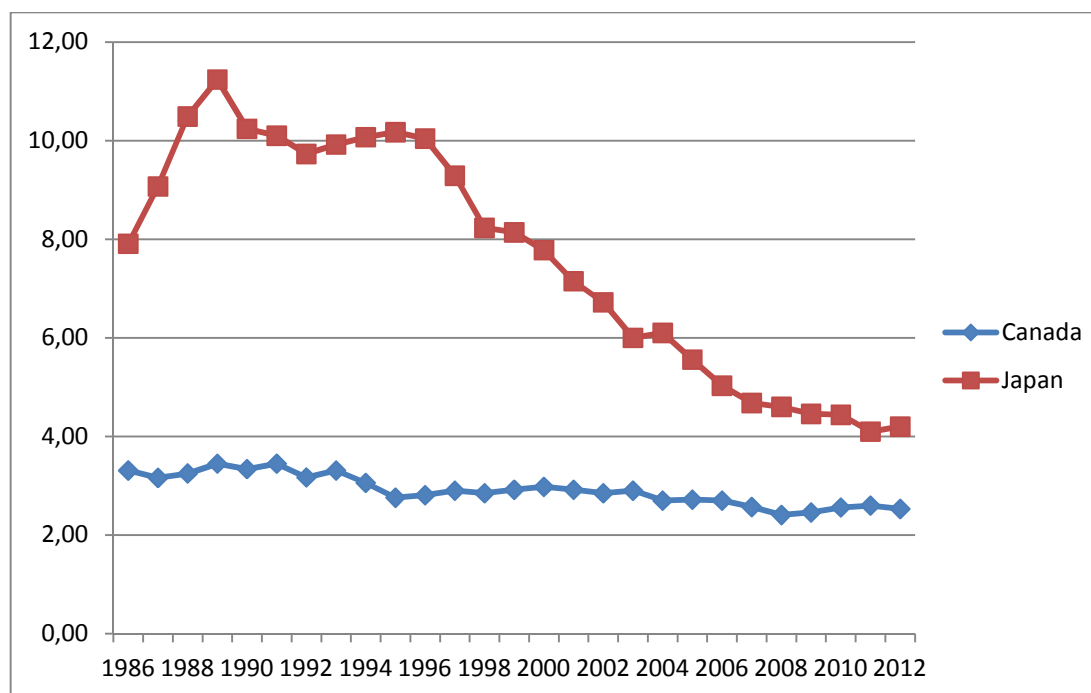
⁶ Latest available figures are from 2012.

Figure 9: Share of global imports of merchandise trade of Canada and Japan, 1986-2012 (WTO, 2014b).



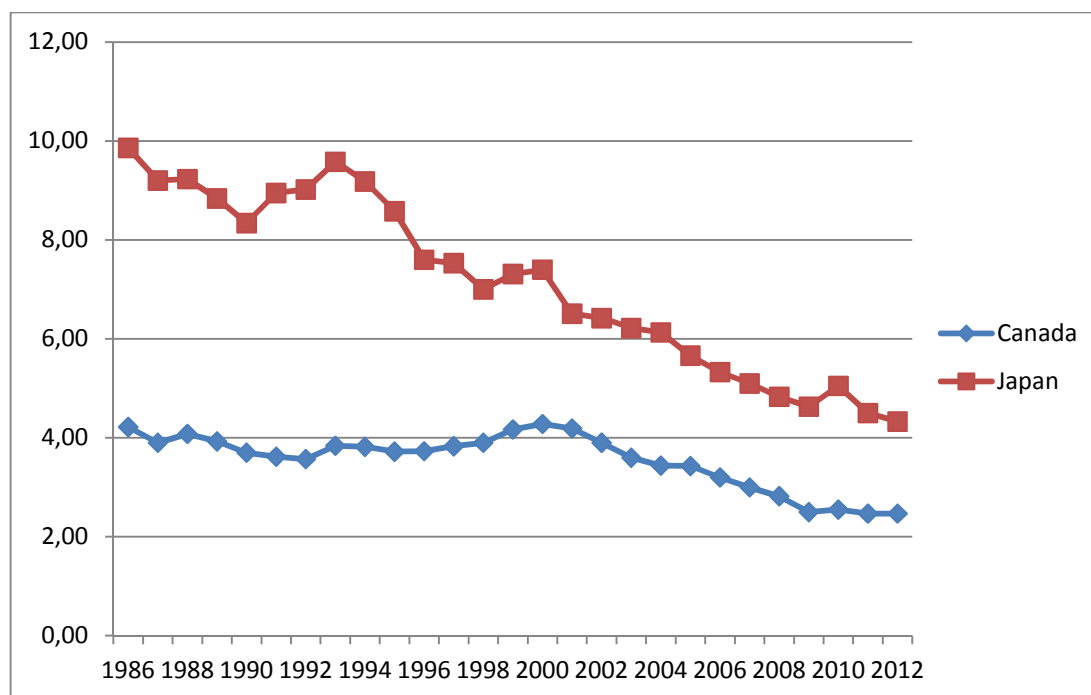
From examination of Canada's and Japan's share of global imports in commercial services, an overall decrease emerges (see Figure 4). For Japan, its share increased rapidly throughout the Uruguay Round from 7.91% in 1986 to more than 11.24% in 1989, and more than 10% in 1994. Since the end of the Uruguay Round its share has decreased constantly to 4.2% in 2012. Although Canada's share remained relatively constant or even slightly increased throughout the Uruguay Round, an overall decline from 3.31% in 1986 to 2.53% in 2012 can be noted (WTO, 2014b).

Figure 10: Share of global imports of trade in commercial services of Canada and Japan, 1986-2012 (WTO, 2014b).



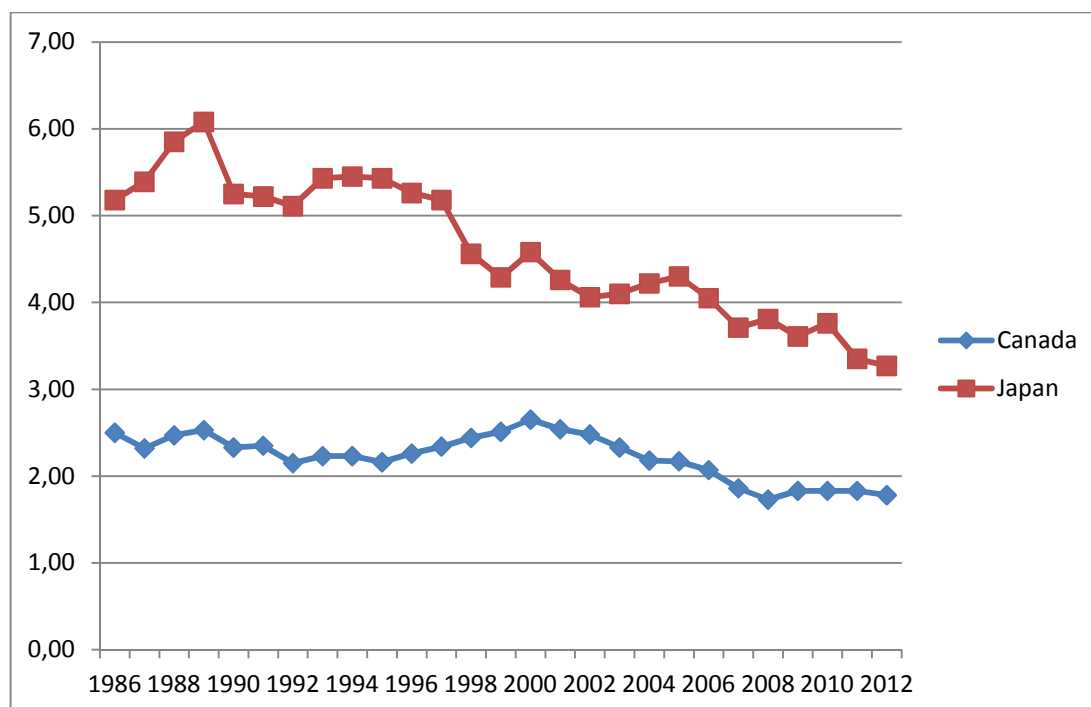
In addition, the share of global exports of goods and services is relevant when determining economic power in multilateral trade negotiations (Odell, 2007, p.10). An analysis of Japan's and Canada's share of global exports of merchandise trade shows a similar picture of an overall decrease (see Figure 5). Japan's share of merchandise trade decreased from 9.86% in 1986 to only 4.33% in 2012. Again, an almost constant decrease can be observed, especially after the end of the Uruguay Round. For Canada's share of merchandise trade, a decrease from 4.22% in 1986 to 2.47% in 2012 can be noted. It is clear that Canada's share remained relatively stable during the Uruguay Round and even reached a level of 4.28% in 2000. However, its share has been decreasing constantly, especially since the start of the DDA (WTO, 2014b).

Figure 11: Share of global exports of merchandise trade of Canada and Japan, 1986-2012 (WTO, 2014b).



A similar picture of overall decline can be observed in Japan's and Canada's share of global exports of trade in commercial service (see Figure 6). Japan's share of initially 5.18% in 1986 even increased throughout the Uruguay Round, but since the end of the Uruguay Round it has been decreasing almost constantly to 3.27% in 2012. Canada's share of 2.5% in 1986 remained relatively constant and even slightly increased to 2.65% in 2000 but since the start of the DDA it decreased almost constantly to 1.78% in 2012 (WTO, 2014b).

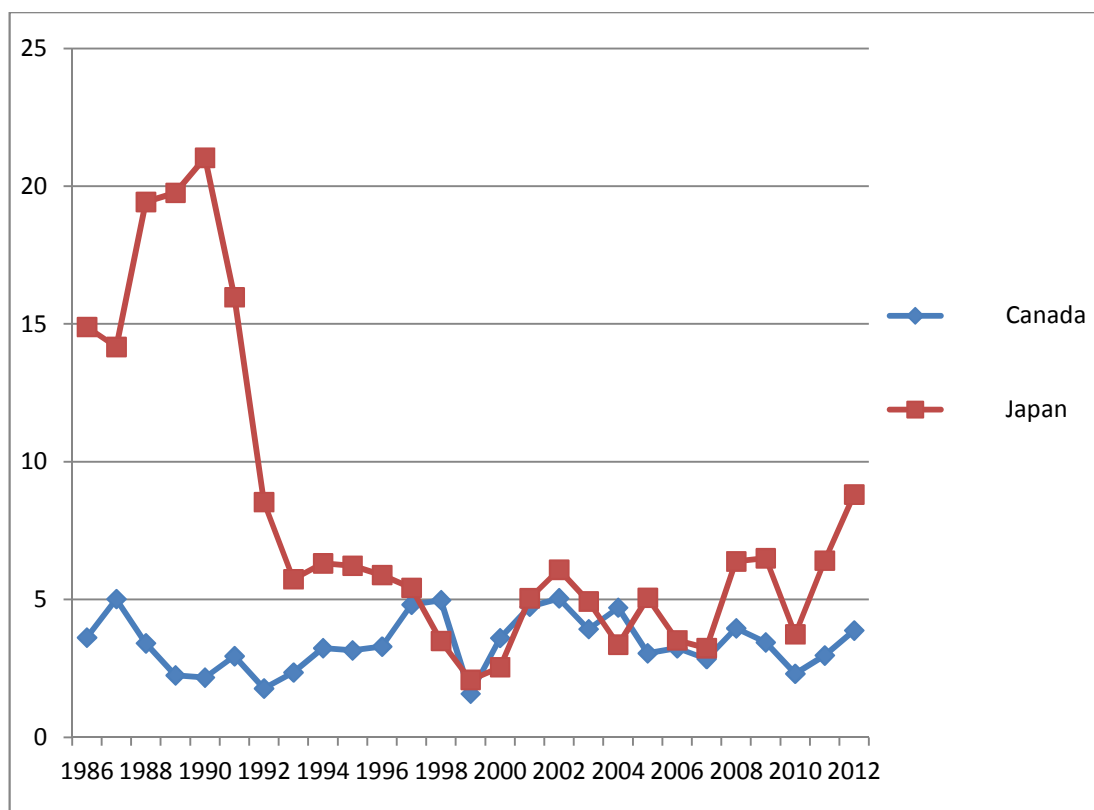
Figure 12: Share of global exports of trade in commercial services of Canada and Japan, 1986-2012 (WTO, 2014b).



As Odell points out, financial assets can be important for bargaining power in trade negotiations (Odell, 2007, p.10). It is useful to include outward and inward flows of FDI as indicators of economic power. Their shares of outward FDI will be analyzed first (see Figure 7). From the start of the Uruguay Round to 2012, Canada's share fluctuated between approximately 5% and the low figure of 1.6% in 1999. Canada's share of outward FDI flows was 3.6% in 1986 and, while fluctuating during the Uruguay Round, slightly decreased to 3.2% in 1994. In 2001, its share was 4.7%. Canada's share then fluctuated again during the DDA and decreased to 3.9% in 2012. Japan's share of world total outward FDI was much higher during the Uruguay Round than during the DDA. Japan's share was 14.9% in 1986 and increased to 21% in 1990. Its share then sharply decreased to 6.3% in 1994. During the DDA, Japan's share remained relatively lower than its share during the early Uruguay Round. It was 5% in 2001 and increased to 8.8% in 2012 (UNCTAD, 2013).⁷

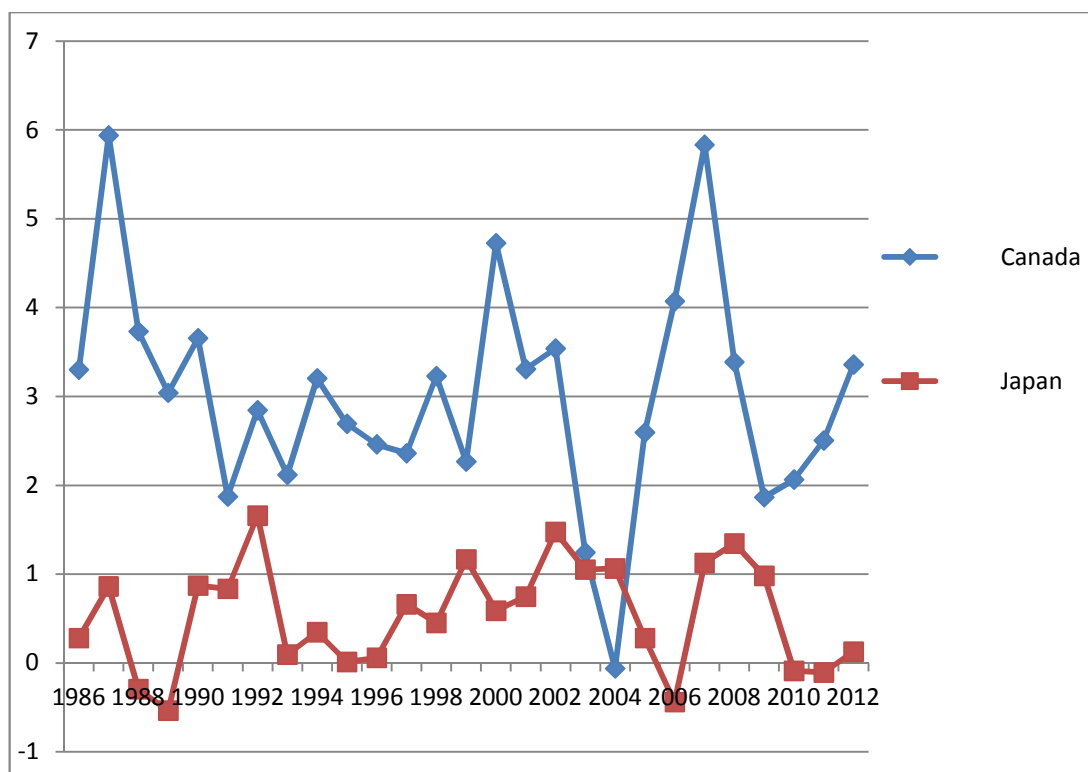
⁷ Latest available data are from 2012.

Figure 7: Canada's and Japan's shares of world total outward FDI flows from 1986 to 2012 (%).



Canada's share of world total inward FDI was generally higher than it was for Japan (except for the year 2004) (see Figure 8). The shares of both Canada and Japan fluctuated heavily from 1986 until 2012. For Canada, it fluctuated between the high levels of 5.9% in 1987 as well as 5.8% in 2008 and the very low level of -0.06% in 2004. Japan's share fluctuated between values as high as 1.7% in 1992 and the very low figures of -0.5% in 1989 and -0.4% in 2006 (UNCTAD, 2013).

Figure 8: Canada's and Japan's share of world total inward FDI flows from 1986 to 2012 (%).



This section has shown that the relative market size and the relative share of global imports and exports in merchandise trade and trade in commercial services of both Canada and Japan decreased from the Uruguay Round to the DDA. In a direct comparison, Japan's market size decreased at a higher rate than that of Canada. Since 1986, Japan's share of world GDP (PPP) has decreased by 3.9 percentage points. This relative decrease would be even larger if its especially high share in 1991 were considered. The same value for Canada is only 0.6 percentage points. This suggests that Japan's decrease in market share is not only higher in absolute terms, but also relatively more significant for Japan than Canada's is for Canada. As pointed out in the previous chapter, this decreased market size and share of global trade already suggests a relatively decreased economic power of both Canada and Japan in the DDA compared with that in the Uruguay Round. This is due to both Canada's and Japan's relatively decreased ability to offer bargaining chips in the negotiations which other trading partners are interested in. This loss of economic power can be considered to be relatively more significant for Japan than it is for Canada.

Japan's decrease of relative market size and share of global trade flows has to be considered in the wider context of Japan's political and economic stagnation over the last two decades. The period of the last two decades, and especially the 1990s, are therefore often considered to have been "lost" decades for Japan. In addition to this economic stagnation, Japan has experienced a period of political stagnation as well. The continuation of an industrial policy largely focused on exports in the manufacturing sector is an example. As a result, the Japanese services sector has been protected from international competition and only has a relatively low productivity growth. The period has also been characterized by the slow progress of necessary domestic political and structural reforms, for example of the Japanese agricultural sector. This has contributed to the continued high level of protection and lack of international competitiveness of the Japanese agricultural sector. These elements affect Japan's profile in the DDA and will be analyzed in further detail below.

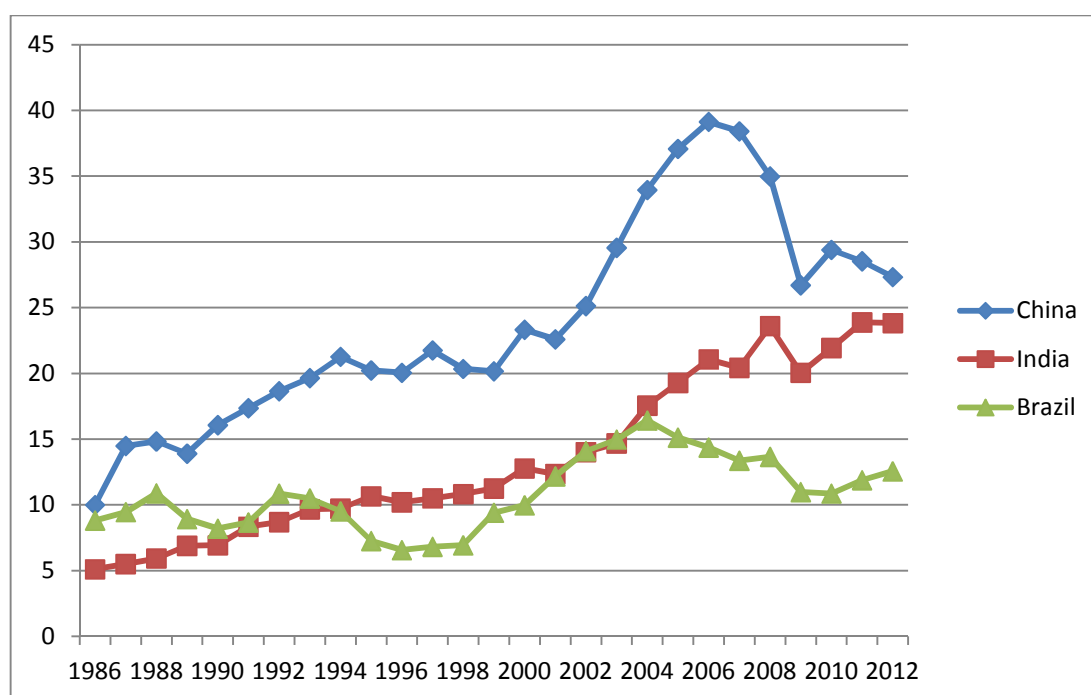
3.3.1: The "coming of age" of major emerging markets such as Brazil, India and China.

In order to understand the reasons for the relative decline of economic power of Japan and Canada compared with that of major emerging markets, a short historical overview of the process of their economic opening is presented below. As a result of a number of economic crises in the 1980s and 1990s, several developing countries including Brazil and India abandoned import substitution policies and started a process of structural adjustment. This process led to more export-orientated economies which resulted in increased development (Michalopoulos, 2001, p.7). This is especially true for the emerging markets of India, Brazil and China (Baer, 2001, p.90, p.256, p.258, Basu, 2004, p.84, Lin, Cai and Li, 2003, Panagariya, 2008, p.103, Pederson, 2008, p.47, p.80, Srinivasan, 2003, p.29, Story, 2003, p.61).

In addition to China, Brazil and India, South Africa, Mexico, Argentina, Singapore, Taiwan, Chile and Malaysia are also examples of this process of economic development. Due to this "coming of age" of developing countries' economies, the 32 largest emerging economies had a larger share of world GDP (PPP) than the

developed countries (The Economist, 2006). Given their fast economic growth, emerging markets such as China and India were referred to as the “new titans” of the world economy (The Economist, 2006b, WTO, 2008a, p.3). For example, when China joined the WTO in 2001, it was able to do so as the economy with the second largest share of world GDP (PPP) (IMF, 2013). This economic opening is illustrated by a growing share of exports of GDP (see Figure 9). India’s share of exports was 5.1%, while Brazil’s share was 8.8% and China’s share 10% in 1986. India’s share of exports has been increasing almost constantly up to 23.6% in 2008 and 23.8% in 2012. China joined the WTO with a share of exports of 22.6% and the figure further increased to 27.3% in 2012. Brazil’s share of exports has mainly increased since the start of the DDA and reached a level of 13.7% in 2008 before dropping to 12.6% in 2012 (World Bank, 2013a).

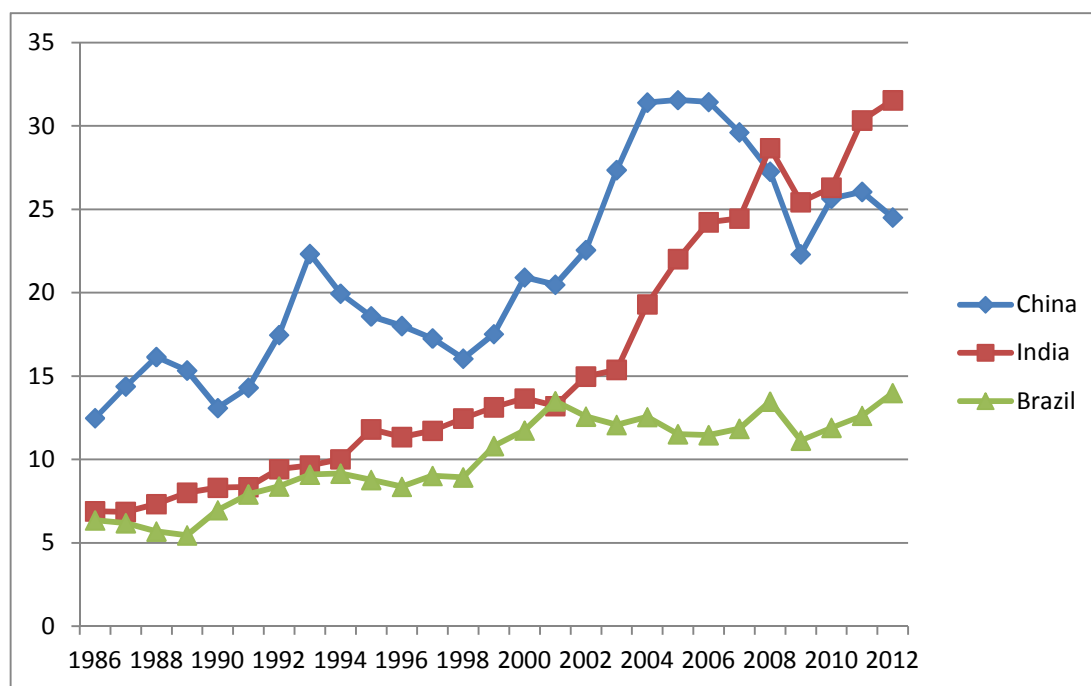
Figure 9: Exports of goods and services of China, India and Brazil (% of GDP), 1986-2012.



The growing openness of these key emerging markets becomes even clearer when their share of imports of GDP are examined (see Figure 10). In 1986, the value for India was 6.9%, while it was 6.4% for Brazil. The corresponding percentages in 2012 were 31.5% for India and 14% for Brazil. China was able to join the WTO with a

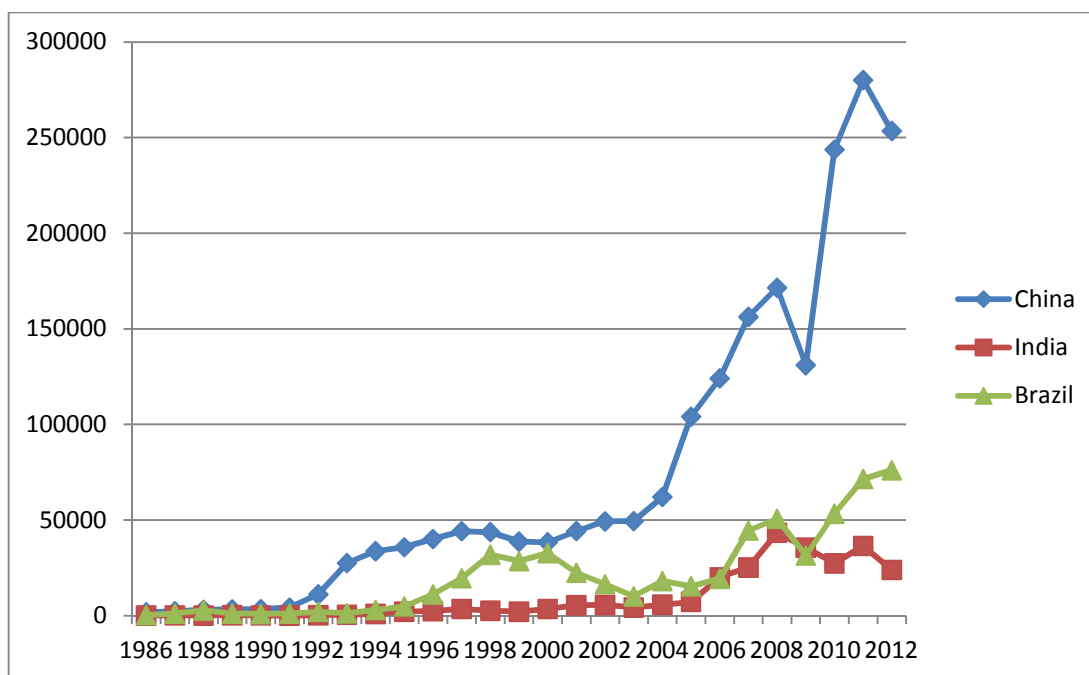
share of imports of 20.4% in 2001, which increased to 24.5% in 2012 (World Bank, 2013a).

Figure 10: Imports of goods and services of China, India and Brazil (% of GDP), 1986-2012.



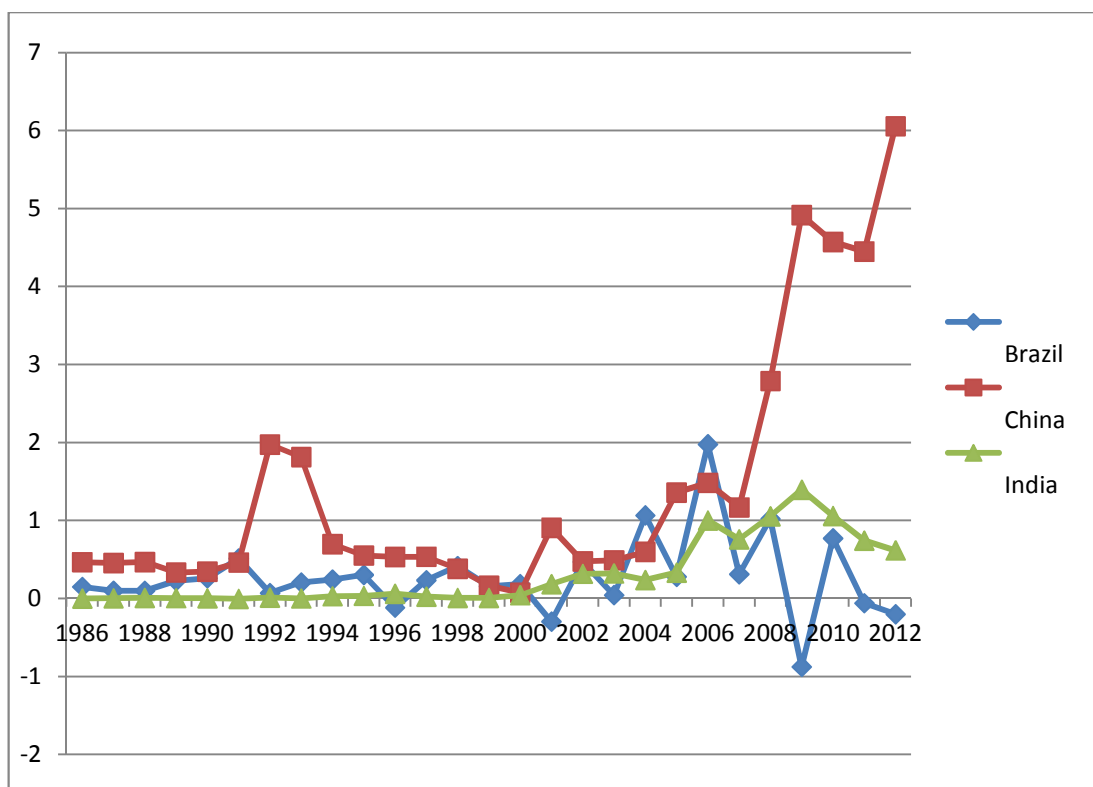
These emerging markets have also experienced an increase in foreign direct investment. Figure 11 shows that the net inflows of foreign direct investment measured in US dollars (USD) have increased strongly in Brazil, India and especially in China. India's net inflows of foreign direct investment were only 118 million US dollars in 1986, but increased to USD 23995 million in 2012. For Brazil, net foreign direct investment grew from USD 345 million in 1986 to USD 76110 million in 2012. The most dramatic increase can be observed in the case of China: it joined the WTO with a net investment of USD 44241 million in 2001, which further increased to USD 253474 million in 2012 (World Bank, 2013a).

Figure 11: Foreign direct investment, net inflows (BoP, current USD, in millions), 1986-2012.



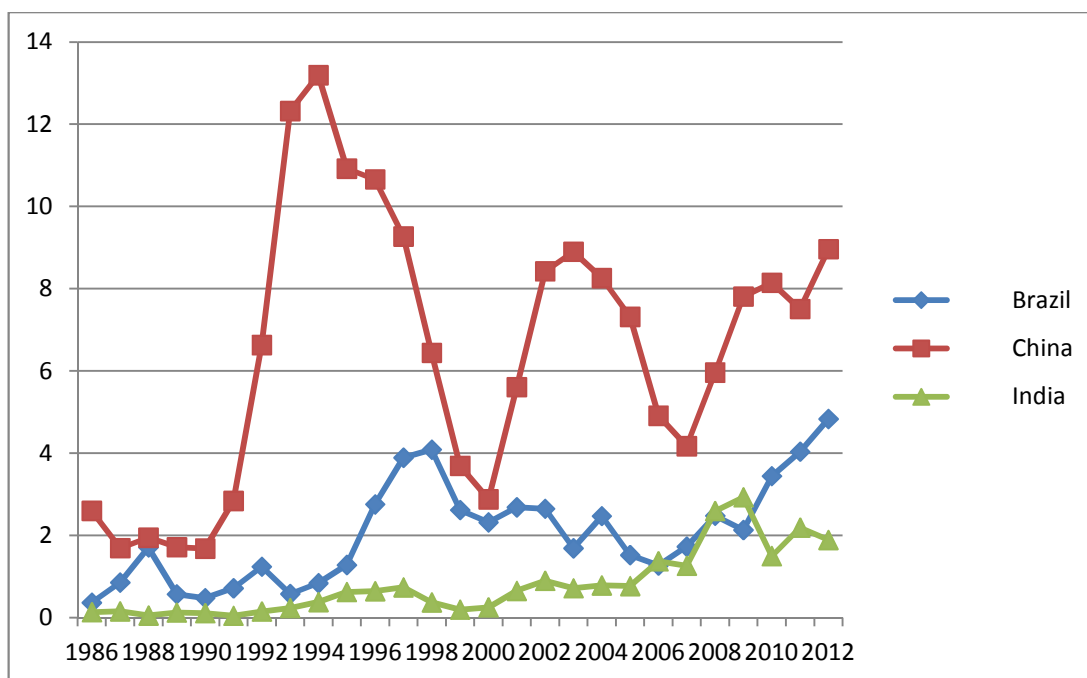
However, for a full picture, their shares of total world inward and outward FDI flows have to be analyzed. Their share of outward FDI will be analyzed first. As shown in Figure 12, China especially increased its share of global outward FDI flows from the Uruguay Round to the DDA. Its share was as low as 0.5% in 1986. Although its share rose to a peak of 2% in 1992 and 1.8% in 1993, it stayed generally low during the Uruguay Round and was at 0.7% in 1994. In 2001, China's share was 0.9% and then sharply increased up to 6.1% in 2012. India's share of outward FDI flows also increased from the Uruguay Round to the DDA. Its share stayed constant at around 0% throughout the Uruguay Round. In 2001, its share then slightly increased to 0.2% and continued to increase to 1.4% in 2009. In 2012, its share was 0.6%. Brazil's share was at a constantly low level during the Uruguay Round with the highest figure being 0.5% in 1991. Its share fluctuated during the DDA from 2% in 2006 to -0.9% in 2009 (UNCTAD, 2013).

Figure 12: Brazil's, China's and India's share of world total outward FDI flows from 1986 to 2012 (%).



Their shares of world total inward FDI indicate that China's was much higher than that of Brazil and India during the Uruguay Round and DDA (see Figure 13). China's share fluctuated and was especially high at the end of the Uruguay Round, reaching 13.2% in 1994. In 2001, its share was 5.6% and increased to 9% in 2012. Both Brazil's and India's share of inward FDI increased from the Uruguay Round to the DDA. Brazil's share was 0.4% in 1986 and 0.8% in 1994. By 2001, it had increased to 2.7% and further increased to 4.8% in 2012. India's share was at a constant level close to 0% from 1986 onwards but then increased to 0.4% in 1994. It increased to 0.7% in 2001 and reached up to 2.9% in 2009. India's share was 1.9% in 2012 (UNCTAD, 2013).

Figure 13: Brazil's, China's and India's share of world total inward FDI flows from 1986 to 2012 (%).



The relative global trade shares that result from the increased opening to international trade of these emerging markets, however, remain comparably low except in the case of China. The rank of Brazil's world trade was 16 for its merchandise exports (1.4% of world total) and 15 for its imports (1.28%). The equivalent ranks for India were 13 for exports (1.66%) and 7 for imports (2.51%). Brazil's rank was 18 for its commercial services exports (0.85%) and 10 for its imports (1.81%). India had the high position of the 5th place for both exports (3.2%) and imports (3.07%) in commercial services trade. Out of these emerging markets, only China was able to join the group in the top 3: it is first in merchandise exports (10.38%) and second in imports (9.43%). It is in the third position for both exports (4.26%) and imports (5.89%) in commercial services trade. It therefore seems that this process of “coming of age” of Brazil's and India's economies is still at its beginning (WTO, 2013a). The relative increase of market size and global trade shares of Brazil, India and especially China, suggests an increase of their economic power in the DDA over that in the Uruguay Round. These emerging markets attract relatively higher trade flows from other countries and these countries have more bargaining chips to offer in the DDA negotiations than they had during the Uruguay

Round. It thus becomes clear that Canada and Japan have relatively lost economic power, especially in comparison with these emerging markets.

3.3.2: Analysis of forecasts of economic development of Canada and Japan compared with those of other key players.

The analysis of the economic power of Canada and Japan has to go beyond the historical overview of past economic development as well as the analysis of their current economic profiles. A complete analysis of economic power has to take into account forecasts of the development of economic resources. Concessions that reduce trade barriers in a market that is projected to grow further can be considered especially valuable already in current negotiations. Not only current economic power, but also predictions about the future economic profile of a country, can have an effect on bargaining power in trade negotiations today.

It is of interest to analyze short-term predictions about the development of economic capacity, for example in the form of the projected share of world GDP (PPP). According to short-term projections from the IMF, both Canada's and Japan's share of world GDP is estimated to decline further. While Japan has a current share of 5.8%, the corresponding value in 2016 is predicted to be only 4.9%. Canada's current share of 1.8% is estimated to decline to 1.6% in 2016. The current share of the US (19.6%) is projected to decrease to 17.6% in 2016. Similarly, the share of the EU of currently 20.4% will decrease to 17.7% in the next five years. In contrast to this relative decline, the economic capacities of the emerging markets, especially of India and China, are expected to grow. India's share is expected to expand from 5.5% to 6.7% in 2016, while China's share will rapidly increase from 13.6% to 18%. Brazil's share is expected to remain constant at 2.9% until 2016 (IMF, 2013).

Long-term predictions estimate that a number of emerging markets have the potential to accelerate their economic growth further. As a whole, predictions of the BRICs' GDP suggest that their combined GDP will be higher than that of the G7 group by 2032 (Goldman Sachs, 2007, p.138). The GDPs of China, India and Brazil especially are expected to grow rapidly. China's economy is expected to be the largest in the

world with a projected GDP of 48571 billion USD in 2050. India would be the third-largest economy with a projected GDP of 27235 billion USD, while Brazil would be the fifth-largest with an estimated GDP of 8028 billion USD in 2050. The US would be in second place with an estimated GDP of 37666 billion USD, while Japan would be slightly ahead of Brazil in fourth place with a projected GDP of 8040 billion USD in 2050. Canada's economic growth is not estimated to increase in a comparable way. Canada would be the fifteenth-largest economy in 2050 with a projected GDP of 2983 USD. In 2005, Canada's GDP was 1156 billion USD and Japan's GDP was 5293 billion USD. Accordingly, Japan's increase in total GDP from 2005 to 2050 is predicted to be relatively less than that of Canada. The ability to reach the predicted future growth levels in 2050 depends on favourable macroeconomic conditions and macroeconomic stability, sufficient technological capabilities and human capital as well as favourable political conditions (O'Neil et al., 2005).

The economies of China, India and Brazil are expected to grow at an unparalleled rate among emerging markets (O'Neil et al., 2005, p.9-10). The increasing demand for infrastructure investment, the growth of the urban population and the growth of per capita income are expected to contribute to their economic growth (Lawson and Dragusanu, 2008). The growth rates of other promising emerging markets such as the "Next Eleven" (N-11) are expected to be lower (O'Neil et al, 2005, p.8). Concerning Angus Maddison's long-term predictions of market size until 2030, China's and India's especially are expected to grow strongly. China would "become the world's biggest economy by 2018, the US would be number two, and India number three" (Maddison, 2007, p.340). India and China are predicted to have an annual average compound growth rate of per capita GDP of 4.5 from 2003 to 2030. This is much higher than the world average growth rate of 2.23 and particularly those of Japan (1.3) and Canada (1.7). Maddison's predictions for Brazil, however, are more modest. Its growth rate for the period of 2003 to 2030 is only predicted to be 1.5 (Maddison, 2007, p.345).

China's GDP is predicted to increase from 6188 USD in 2003 (15.1% of global GDP) to 22983 billion USD in 2030 (23.8%).⁸ It would be the largest economy in the world in 2030, ahead of the US with a GDP of 16662 billion USD (17.3% of global

⁸ Predictions are measured in billion US dollars (PPP), based on the year 1990.

GDP). India would be in the third place, having increased its GDP from 2267 billion USD in 2002 (5.5% of global GDP) to 10074 billion USD in 2030 (10.4%). These growth predictions for China and India are much higher than the growth rates of Japan and Canada. If these predictions are accurate Japan would increase its GDP from 2699 billion USD in 2003 (6.6% of global GDP) to 3488 billion USD in 2030 (3.6% of global GDP), and Canada's GDP would increase from 748 billion USD in 2003 (1.8% of global GDP) to 1429 billion USD in 2030 (1.5% of global GDP). These long-term predictions until 2030 illustrate that the relative share of global GDP of Japan and Canada is expected to decrease, while it is predicted to increase markedly for China and India. In contrast to China and India, Maddison's predictions for the Brazilian economic market size are only modest. Brazil's GDP is expected to grow from 1013 billion USD in 2003 (2.5% of global GDP) to only 1853 billion USD in 2030 (1.9% of global GDP), resulting in a relative decrease of its global share of GDP (Maddison, 2007, p.343).

In a long-term projection of economic growth until 2060, the OECD also predicts an especially strong economic growth of China and India. From an analysis of the average growth rate in GDP over the period 2011 to 2060, China's growth rate is predicted to be 4.0 and India's growth rate is estimated to be as high as 5.1.⁹ Brazil's growth rate is estimated to be lower, at 2.8. In comparison, Canada's growth rate is 2.2 and Japan's growth rate is estimated to be as low as 1.3 (OECD, 2012, p.31). As a result, China's share of world GDP is estimated to be as high as 27.8% in 2060, while the projection for India's share is 18.2%. Brazil's estimated share is much lower, at only 3.3% (Johansson et al., 2013, p.36).¹⁰

From consideration of these economic growth predictions, it is clear that Canada's and Japan's relative economic power is estimated to decline further. For the short-term estimates, Japan's share of global GDP (PPP) is expected to decrease at a higher rate both in absolute and relative terms than that of Canada. The long-term predictions of O'Neil show that Japan's relative increase in absolute GDP until 2050 is expected to be slower than that of Canada. Japan's share of global GDP (PPP) is

⁹ The OECD analyzes the average growth rate in trend GDP in USD 2005 PPPs (OECD, 2012, p.31).

¹⁰ The analysis measures the share of real world GDP in 2005 PPPs (Johansson et al., 2013, p.36).

predicted to decrease at a relatively higher rate than that of Canada in Maddison's long term predictions until 2030.

These predictions can decrease current economic power even today. As pointed out in the previous chapter, negotiations can be about concessions which are binding, regardless of the future economic development of the concerned market or sector. This is especially relevant for tariff negotiations on concessions on bound tariffs. If a market or a sector of an economic market grows, a tariff concession made today will become relatively more valuable for the trading partner in the future. Predictions about future economic development can influence the value attached to certain bargaining chips offered to trading partners, especially in the case of concessions in the form of bound tariffs. Japan's absolute GDP is expected to grow less rapidly than that of Canada. The decrease of Japan's share of global GDP is expected to be relatively higher than that of Canada. In a direct comparison between Japan and Canada, these predictions can thus be considered to affect Japan's current economic power more than they affect Canada's current economic power.

3.4: Sectoral analysis of Canada's economic profile from the Uruguay Round to the DDA.

For a more detailed analysis of Canada's and Japan's economic profiles it is necessary to analyze their economies on a sectoral level. The sectoral composition of a country's economic market can directly alter its bargaining power through influencing its economic power. As already pointed out, the economic power of a country depends on its ability to make concessions that other members are interested in and to use them as bargaining chips in the negotiations. The value of these concessions not only depends on the overall size of the country's economic market, but also on the size of the individual sectors affected by the concessions, and on the concessions themselves (e.g. the extent of tariff concessions that a country can actually offer). The ability to make concessions on a sector which only represents a limited economic market size only results in a limited gain of economic power. The importance of the value of concessions to different sectors for Canada's and Japan's bargaining power is analyzed in Chapter 6 on the specific issue of non-agricultural

market access negotiations during the Uruguay Round and DDA. This section analyzes in more detail the overall economic development and trade networks of Canada and Japan from the Uruguay Round to the DDA, and identifies their important offensive and defensive economic interests. In order to do so, their economic merchandise and commercial services trade profiles will be analyzed first.

In addition to an especially large services sector (close to 80% of GDP in 2011), the Canadian economy has strong natural resources, manufacturing and agriculture sectors (WTO, 2011a). Within the agricultural sector, the “supply-managed”¹¹ agricultural sector is worth noting because of its strong defensiveness. In the mining and energy sector, the natural gas, oil, electricity and renewable energy industries are especially important. The mining and energy sectors are crucial for the Canadian economy. Canada is one of the larger producers of natural gas in the world. It is a net exporter of natural gas and the US is the major export destination (WTO, 2011a, p.111). Furthermore, Canada is one of the larger oil producers in the world and again the US is the main destination of these exports (WTO, 2011a, p.112).

For the manufacturing sector, the automotive industry is important. For example, it was Canada’s second-largest manufacturing sector and the main exporting industry in manufacturing in 2009. More than 95% of Canadian automotive products are exported to the US. Although the automotive industry is “concentrated in Ontario, there are about 750 parts manufacturers across Canada” (WTO, 2011a, p.118). In the aircraft sector, Canada’s aerospace industry is important as it was “the fifth-largest in the world with sales of Can\$22.2 billion in 2009” (WTO, 2011a, p.120). Other important industries in the manufacturing sector are the textiles and clothing as well as the shipbuilding industries.

¹¹ This supply management system services “the domestic market by matching supply with identified demand” (Gifford, 2005, p.2).

Table 3: Canada's merchandise exports by sector (%).

Sector	1986	1990	1995	2000	2005	2010
1: Agricultural products (total)	17.28	17.5	16.76	12.58	11.43	13.43
1.1: Food	8.66	8.54	7.57	6.37	6.74	9.58
2: Fuels and mining products (total)	16.94	18.35	15.71	17.47	25.7	31.16
2.1: Fuels		9.93	9.06	13.14	20.2	23.55
3: Manufactures (total)	58.76	57.44	61.51	63.49	57.22	47.92
3.1: Iron and steel		1.61	1.61	1.16	1.55	1.82
3.2: Chemicals		5.22	5.82	5.35	7.25	8.54
3.2.1: Pharmaceuticals		0.2	0.32	0.44	0.97	1.47
3.3: Machinery and transport equipment		37	38.32	40.28	32.85	26.05
3.3.1: Office and telecom equipment	3.58	4.4	6.01	7.46	3.79	2.75
3.3.1.1: Electronic data processing and office equipment		2.12	3.06	1.99	1.02	0.78
3.3.1.2: Telecommunications equipment		1.29	1.69	4.21	2.04	1.51
3.3.2: Integrated circuits and electronic components		1	1.25	1.25	0.72	0.47
3.3.3: Automotive products		22.28	22.41	21.93	18.55	12.92
3.4: Textiles	0.44	0.54	0.72	0.8	0.68	0.49
3.5: Clothing	0.33	0.26	0.53	0.75	0.52	0.3

As illustrated in Tables 3 to 6¹², Canada's current merchandise trade profile throughout the Uruguay Round and DDA can be described as follows. Canada's merchandise exports are dominated by the manufacturing sectors with a share of 47.92%. The share of this sector has been even larger before and was, for example, as high as 63.49% in 2000. The machinery and transport equipment sector (26.05% of total exports in 2010) and the automotive products sector (12.92% of total exports

¹² The data of tables 3-6 and tables 8-11 on the sectoral profiles of Canada and Japan is calculated on the basis of data of the "WTO Time Series on International Trade" (WTO, 2011b). Some data for the year 1986 is not available on the WTO dataset, available at: <http://stat.wto.org/StatisticalProgram/WSDBStatProgramHome.aspx?Language=E>

in 2010) are the more important sectors within these manufacturing exports. However, their relative importance has been decreasing throughout the DDA compared with their shares in the Uruguay Round. For the other sectors, 31.16% of Canada's exports came from the fuels and mining products sectors in 2010. This is a strong increase compared with that in the Uruguay Round. The agricultural products sector's share has been decreasing slightly and accounted for 13.43% of Canadian exports in 2010 (see Table 3).

Owing to the recent China-led global commodity boom, natural resources have regained a more prominent profile within the composition of Canadian exports since the early 2000s. The energy sector, and in particular the crude oil industry, experienced significant growth (Cross, 2008, Baldwin and Macdonald, 2012, p.23). Canada is an important net exporter of natural resource products (WTO, 2010a, p.49). For example, Canada was the third-largest exporter of natural resources in 2008 with a total export value of 177.7 billion dollars and a share of global natural resources exports of 5.5% (WTO, 2010a, p.208). Natural resources exports accounted for almost 65% of goods exports in 2008 (Cross, 2008). Canada is an important exporter of forestry products. With a share of 16.7%, it was the world's leading exporter of forestry products in 2008 (WTO, 2010a, p.212).

Canada's merchandise imports are largely dominated by manufacturing with a share of 74.7% in 2010. This share has been relatively constant throughout the Uruguay Round and DDA. Again, the main sectors that have been of the highest importance within the manufacturing sector throughout the Uruguay Round and DDA are the machinery and transport equipment sector (40.01% of imports in 2010) as well as the automotive products sector (14.80% of imports in 2010). The agricultural product sector only accounted for 8.2% of Canadian imports in 2010 and its share had been similarly low during the Uruguay Round (see Table 4).

Table 4: Canada's merchandise imports by sector (%).

Sector	1986	1990	1995	2000	2005	2010
1: Agricultural products (total)	7.44	7.31	7.25	6.24	6.65	8.2
1.1: Food	5.77	5.8	5.56	4.91	5.45	6.95
2: Fuels and mining products (total)	7.28	8.86	6.75	7.59	11.68	13
2.1: Fuels		5.93	3.53	5.1	8.95	9.71
3: Manufactures (total)	76.66	75.38	80.57	82.01	76.94	74.7
3.1: Iron and steel		1.85	2.11	2.15	2.95	2.66
3.2: Chemicals		6.29	7.87	8.2	9.9	10.33
3.2.1: Pharmaceuticals		0.7	1.07	1.55	2.43	3.06
3.3: Machinery and transport equipment		47.49	50.33	51	44.37	40.01
3.3.1: Office and telecom equipment	7.83	8.5	11.77	12.43	8.56	8.25
3.3.1.1: Electronic data processing and office equipment		4.2	5.18	4.92	3.75	3.12
3.3.1.2: Telecommunications equipment		2.41	2.86	4.11	3.45	4.01
3.3.2: Integrated circuits and electronic components		1.89	3.72	3.4	1.36	1.11
3.3.3: Automotive products		19.99	19.87	18.9	17.87	14.8
3.4: Textiles	2.09	1.89	1.9	1.69	1.33	1.03
3.5: Clothing	1.79	1.94	1.6	1.51	1.85	2.07

Concerning Canada's commercial services trade profile, the transportation and travel sectors are important. The travel sector accounted for 23.3% of Canada's exports in 2010, followed by the transport sector with a share of 17.29%. The importance of the transportation sector has been similarly high throughout the Uruguay Round and DDA. The share of the travel sector has been decreasing constantly (see Table 5). Of Canada's imports of commercial services in 2010, the travel sector accounted for 32.86%, while 22.7% of Canadian imports come from the transportation sector. These two sectors accounted for similarly high shares of Canadian imports in the Uruguay Round (see Table 6). Telecommunications services, broadcasting services,

financial services, transport services and professional services are important industries in the Canadian services sector. While Canada is an overall net-importer of services, it is a net-exporter of “land transport, research and development, communication, information technology, architectural, engineering and other technical services” (WTO, 2011a, p.8).

Table 5: Canada’s exports in commercial services by sector (%).

Sector	1986	1990	1995	2000	2005	2010
Transportation	22.63	23.02	20.69	19.2	17.88	17.29
Travel	37.69	34.66	31.14	27.45	25.3	23.3
Other commercial services ¹³	39.69	42.33	48.17	53.36	56.82	59.42

Table 6: Canada’s imports in commercial services by sector (%).

Sector	1986	1990	1995	2000	2005	2010
Transportation	24.21	21.05	24.1	21.5	22.32	22.7
Travel	30.41	39.78	31.11	28.53	27.76	32.86
Other commercial services ¹⁴	45.38	39.17	44.8	49.97	49.93	44.44

From analysis of Canada’s merchandise trade network, the US is by far the main export destination for its exports with a share of 74.9%. The second-most important export destination is the EU with a share of 8.6%, followed by China (WTO, 2011c, p.36). The US has a long history of being the primary export destination of Canadian products: in 1990, it already accounted for a share of 75% of Canadian exports, while its share was 87.2% in 2001 (WTO, 2002a). The main origin of imports is the US with a share of 50.4%, followed by the EU and China. Again, the US has been the by far the main origin of Canadian merchandise imports in 1990 and 2001 (see Table 7).

¹³ More detailed data available from the year 2000 onwards show that within the share of “other commercial services” the business services sector is especially important (“other business services” had a share of total exports of 26.49% in 2000, 27.9% in 2005 and 27.04% in 2010).

¹⁴ More detailed data available from the year 2000 onwards show that within the share of “other commercial services” the business services sector is especially important (“other business services” had a share of total imports of 22.08% in 2000, 19.2% in 2005 and 14.89% in 2010).

Table 7: Canada's merchandise trade network by main export destinations and import origins.

Main destinations of Canadian merchandise trade exports (%):			Main origins of Canadian merchandise trade imports (%):		
1990	2001	2010	1990	2001	2010
US: 75	US: 87.2	US: 74.9	US: 64.6	US: 63.6	US: 50.4
EU: 8.5	EU: 4.5	EU: 8.6	EU: 12.7	EU: 11.2	EU: 11.9
China: 1.1	China: 1.1	China: 3.3	China: 1	China: 3.7	China: 3.3

As pointed out, Canada has a profile of being an important exporter of natural resources. The US is the main destination of these natural resource product exports. Canada was the main supplier of natural resources for the US with a share of 24.3% in 2008. Overall, the value of Canada's natural resources exports to the US in 2008 was 141.99 billion dollars (WTO, 2010a, p.217). However, this picture of the Canadian natural resources trade network being focused heavily on the US has been changing in recent years. This is the case, for example, in the softwood lumber industry. While the US was the destination of more than 80% of Canadian softwood lumber exports in 2004, this was reduced to 58.7% in 2010 (Germain, 2012, pp.8-109). China has become a more important export destination of Canadian softwood lumber: while it was only the destination of 1% of Canadian lumber exports in 2004, it increased to 13.2% by 2010 (Germain, 2012, p.10).

Canada's services trade network is largely dominated by the US as the major destination of Canadian services trade exports and the main origin of its services trade imports (see Table 8). In 1990, 56.1% of Canadian services trade was exported to the US. The equivalent percentage was 59.5 in 2001 and 54.8 in 2009. The EU was the second-most important export destination in 1990 (16.5%), 2001 (16.8%) and 2009 (17.2%).¹⁵ Furthermore, Japan was the destination of 4.3% of Canadian services trade exports in 1990: it was 3.2% in 2001. In 2009, Switzerland was Canada's third-most important export destination (2.8%). The US was the origin of 63.4% of Canadian services trade imports in 1990 with values of 60.8% in 2001 and 56.5% in 2009. The EU was the second-most important origin of services trade

¹⁵ Latest available data are from 2009 (OECD, 2013e).

imports in 1990 (17.2%). This value changed to 16.7% in 2001 and 17.3% in 2009. Japan accounted for 2% of Canadian services trade imports in 1990 and 3.1% in 2001. In 2009, Switzerland was the third-most important origin of Canadian services trade imports (2.3%) (OECD, 2013e).

Table 8: Canada's services trade network by main export destinations and import origins.

Main destinations of Canadian services trade exports (%):			Main origins of Canadian services trade imports (%):		
1990	2001	2009	1990	2001	2009
US: 56.1	US: 59.5	US: 54.8	US: 63.4	US: 60.8	US: 56.5
EU: 16.5	EU: 16.8	EU: 17.2	EU: 17.2	EU: 16.7	EU: 17.3
Japan: 4.3	Japan: 3.2	Switzerland: 2.8	Japan: 2	Japan: 3.1	Switzerland: 2.3

Canada's trade network of overall exports and imports of goods and services is also dominated by the US. In 2010, the US was the destination of 70.3% of total Canadian exports; the EU was the destination of 10.4%, while 2.3% of Canadian exports went to Japan. The US was also the origin of 61.6% of Canadian imports in goods and services; for the EU this was 10.9%, while it was 2.3% for Japan (Government of Canada, 2011). The US was also by far the most important trading partner in the overall Canadian trade network before. In 2000, the US was the destination of 82.9% of Canadian exports and the origin of 72.1% of Canada's total imports of goods and services.

3.4.1: The economic geography of Canada.

A complete analysis of Canada's economic profile includes its economic geography. The Canadian economy can be divided into six macro regions: the North, British Columbia, the Prairies, Ontario, Quebec and Atlantic Canada (Wallace, 2002, p.59). Canada's geography dictates two major distinctions. First, a distinction between the Canadian hinterland and the two provinces Ontario and Quebec, which, "forming central Canada, together dominate the national economy by almost every measure"

(Wallace, 2002, p.191). They contain the large majority of the Canadian population and produce the majority of Canadian GDP. The vast majority of Canada's manufacturing and services sectors are based in these central provinces. In contrast, the primary producers of the Canadian economy are based in the hinterland regions primarily in the West. The resulting strong political power of the central provinces has long been the source of discontent in the hinterland regions and of the impression that federal economic policy is largely in favour of central Canadian interests.

Secondly, Wallace refers to a distinction between Ontario and Quebec in culture, administration and economy, with Ontario long considered to be "the prosperous core of Canada" (Wallace, 2002, p.192-193). But this picture has changed in the past decade as a result of the commodities boom. Economic as well as political gravity has shifted to the Western provinces of Canada, as resources have become a more important part of the Canadian export economy. Alberta has especially profited from the commodities boom (Royal Bank of Canada, 2012). Canada's economic geography can affect its bargaining power mainly through the conditioning factor of domestic politics. It can be important for the degree of cohesion between the individual provinces as well as the type of institutional links between domestic interest groups and trade policy decision-makers. The degree of influence of these factors on the bargaining power of Canada is analyzed in more detail in Section 3.6 of this chapter.

3.5: Sectoral analysis of Japan's economic profile from the Uruguay Round to the DDA.

Manufacturing is an important sector for Japan's offensive and defensive economic interests. The electrical machinery, food products and beverages, and transport equipment industries are examples of industries within this sector (WTO, 2013b, p.84). As pointed out above, the manufacturing sector accounts almost exclusively for Japan's merchandise exports. In particular the machinery and transport equipment, as well as automotive, industries are export-dominant industries with offensive economic interests. The textiles and clothing, and footwear industries are examples of sensitive industries with defensive interests (WTO, 2013b, p.85). As

already pointed out, Japan's agricultural sector is largely defensive, and Japan is also an important net-importer of fisheries products (WTO, 2013b, p.81).

Japan's merchandise exports are largely dominated by the manufactures sectors with a share of 88.37% in 2010 and shares of more than 90% throughout the Uruguay Round and DDA. The office and telecom equipment sector has been important in the Uruguay Round (with a share of, for example, 23.31% in 1990), but its share has been decreasing during the DDA. The automotive sector has also been an important sector for Japanese merchandise exports throughout the Uruguay Round and DDA (a share of 19.42% of total exports in 2010). On the contrary, only 1.32% of Japan's exports came from the agricultural products sector and this figure has been similarly low during the Uruguay Round (see Table 9).

Table 9: Japan's merchandise exports by sector (%).

Sector	1986	1990	1995	2000	2005	2010
1: Agricultural products (total)	1.33	1.15	1.05	0.92	1.01	1.32
1.1: Food	0.74	0.59	0.49	0.45	0.5	0.62
2: Fuels and mining products (total)	1.1	1.34	1.61	1.55	2.5	4.27
2.1: Fuels		0.44	0.56	0.32	0.75	1.69
3: Manufactures (total)	95.82	95.68	95.15	93.83	91.84	88.37
3.1: Iron and steel		4.36	3.96	3.09	4.62	5.45
3.2: Chemicals		5.49	6.8	7.34	8.85	10.19
3.2.1: Pharmaceuticals		0.31	0.42	0.57	0.56	0.56
3.3: Machinery and transport equipment		70.55	70.3	68.79	64.09	59.5
3.3.1: Office and telecom equipment	21.74	23.31	24.06	22.57	16.46	12.02
3.3.1.1: Electronic data processing and office equipment		8.63	8.45	7.35	4.1	2.69
3.3.1.2: Telecommunications equipment		10.02	6.39	6.37	5.66	3.18
3.3.2: Integrated circuits and electronic components		10.49	9.22	8.86	6.7	6.15
3.3.3: Automotive products		23.02	18.21	18.38	20.66	19.42
3.4: Textiles	2.6	2.04	1.62	1.47	1.16	0.92
3.5: Clothing	0.34	0.2	0.12	0.11	0.08	0.07

Of Japan's merchandise imports, 50.01% came from the manufacturing sectors, while only 11.2% came from agricultural products sectors in 2010. The share of imports from the manufacturing sector has been increasing since the Uruguay Round (for example, it only accounted for 42.61% in 1990). The share of imports from the agricultural products sector has been decreasing since the Uruguay Round. The Fuels and mining products sector accounted for 36.71% in 2010 and has been of a similarly high importance during the Uruguay Round (see Table 10).

Table 10: Japan's merchandise imports by sector (%).

Sector	1986	1990	1995	2000	2005	2010
1: Agricultural products (total)	23.99	21.57	22.28	16.39	12.78	11.16
1.1: Food	16.49	14.51	16.08	12.8	10.4	9.23
2: Fuels and mining products (total)	37.29	32.97	22.6	25.92	31.81	36.71
2.1: Fuels		24.12	16.05	20.4	25.8	28.62
3: Manufactures (total)	30.99	42.61	52.95	56.04	53.57	50.01
3.1: Iron and steel		1.94	1.73	0.96	1.4	1.25
3.2: Chemicals		6.49	7.15	6.86	7.34	8.76
3.2.1: Pharmaceuticals		1.21	1.46	1.26	1.59	2.49
3.3: Machinery and transport equipment		15.34	22.58	27.95	25.66	23.25
3.3.1: Office and telecom equipment	2.9	4.79	11.22	16.04	12.98	11.87
3.3.1.1: Electronic data processing and office equipment		2.27	4.84	7.26	5.37	3.62
3.3.1.2: Telecommunications equipment		1.11	2.72	3.55	3.49	4.74
3.3.2: Integrated circuits and electronic components		1.41	3.65	5.23	4.12	3.51
3.3.3: Automotive products		3.11	3.55	2.62	2.55	2.04
3.4: Textiles	1.71	1.76	1.78	1.3	1.13	1.04
3.5: Clothing	2.26	3.72	5.58	5.19	4.37	3.87

Financial services, telecommunications, distribution and tourism are important services sectors in Japan (WTO, 2013b, pp.86-110). Productivity growth in the overall Japanese services sector is low compared, for example, with that of the Japanese manufacturing sector. The Japanese services sector “has been relatively sheltered from both international and domestic competition, as reflected in the low level of import penetration and inflows of foreign direct investment” (Jones and Yoon, 2008, p.8). The low productivity and high degree of protection are also due to a “legacy of an industrial policy that focused on exports and the manufacturing sector. The lower priority accorded to services reflected the perception that they are

non-tradable and merely an appendage to manufacturing” (Jones and Yoon, 2008, p.13). For Japan’s commercial services trade, the transportation sector is highly important and accounted for 28.05% of Japan’s exports and 29.86% of its imports in 2010. Its share was even larger during the Uruguay Round. The travel sector is important for Japanese imports and accounted for 17.94% of them in 2010 (see Tables 11 and 12).

Table 11: Japan’s exports in commercial services by sector (%).

Sector	1986	1990	1995	2000	2005	2010
Transportation	47.65	42.89	34.6	36.88	35.03	28.05
Travel	6.28	8.67	6.61	6.47	6.49	9.52
Other commercial services ¹⁶	46.07	48.43	58.79	56.65	58.48	62.43

Table 12: Japan’s imports in commercial services by sector (%).

Sector	1986	1990	1995	2000	2005	2010
Transportation	37	31.62	32.21	31.67	33	29.86
Travel	19.96	29.58	23.98	22.05	22.34	17.94
Other commercial services ¹⁷	43.03	38.8	43.81	46.28	44.67	52.2

Japan’s main export destinations for merchandise trade were China (19.4%), the US (15.6%) and the EU (11.3%) in 2010 (WTO, 2011c). These three trade blocs have been important export destinations for Japan in the past. For example, Japan exported 30.3% of its merchandise exports to the US in 2001 and 31.6% of its exports in 1990. The EU accounted for a share of 16% in 2001 and 20.4% in 1990, while China only accounted for a share of 7.7% in 2001. This shows that China since its accession to the WTO in 2001 has become an increasingly important merchandise export destination for Japan, while the importance of the US has decreased (WTO, 2002a). China was the main merchandise import origin with a share of 22% followed by the

¹⁶ More detailed data available from the year 2000 onwards show that within the share of “other commercial services” the business services sector is important in Japan (“other business services” had a share of total exports of 25.51% in 2000, 26.73% in 2005 and 30.64% in 2010).

¹⁷ Again, more detailed data available from the year 2000 onwards show that within the share of “other commercial services” the business services sector is important in Japan (“other business services” had a share of total imports of 23.09% in 2000, 21.65% in 2005 and 25.16% in 2010).

US (10%) and the EU (9.6%) in 2010 (WTO, 2011c). Again, the shares of the US and EU have been decreasing since 1990, while China's share has been increasing since it joined the WTO in 2001 (see Table 13) (WTO, 2002a).

Table 13: Japan's merchandise trade profile by main export destinations and import origins.

Main destinations of Japanese merchandise trade exports (%):			Main origins of Japanese merchandise trade imports (%):		
1990	2001	2010	1990	2001	2010
US: 31.6	US: 30.3	China: 19.4	US: 22.5	US: 18.3	China: 22.1
EU: 20.4	EU: 16	US: 15.6	EU: 16	China: 16.6	US: 10
China: 2.1	China: 7.7	EU: 11.3	China: 5.1	EU: 12.8	EU: 9.6

Japan's main export destinations in services trade were the US (26.9%), the EU (23.7%) and Singapore (9.1%) in 2010. The US and EU were also important export destinations for Japan in the past. For the US, it was the destination of 31.9% of Japanese exports in 2001 and of 29.8% of Japanese exports in 1996.¹⁸ The EU was Japan's second-most important export destination in 2001 (20.3%) and in 1996 (17.4%). Singapore was Japan's third most important destination in 2001 (5.5%) and 1996 (6.9%). It is clear that the US and EU have been and continue to be the most important export destinations for Japan (see Table 14). They were also the most important origins of Japanese imports. In 1990, 32.7% of Japanese services trade imports came from the US, 22% from the EU and 5.4% from Hong Kong. In 2001, the same figures were 32.9% (US), 19.3% (EU) and 4.9% (Korea). The US was also the main origin in 2010 (28.7%), while the EU was the second-ranked import origin (20.9). China's importance as an import origin increased and it accounted for 5.7% of Japanese imports in 2010 (OECD, 2013e).

¹⁸ Earliest available data are from 1996 (OECD, 2013e).

Table 14: Japan's services trade network by main export destinations and import origins.

Main destinations of Japanese services trade exports (%):			Main origins of Japanese services trade imports (%):		
1996	2001	2010	1990	2001	2010
US: 29.8	US: 31.9	US: 26.9	US: 32.7	US: 32.9	US: 28.7
EU: 17.4	EU: 20.3	EU: 23.7	EU: 22	EU: 19.3	EU: 20.9
Singapore: 6.9	Singapore: 5.5	Singapore: 9.1	Hong Kong: 5.4	Korea: 4.9	China: 5.7

An important observation in Japan's overall trade network is that the US has lost its role as major export destination. While the US was the destination of 37.1% of overall Japanese exports in 1990, this decreased to 29.7% in 2000 and to 14.4% in 2010. In contrast, China's role as export destination has increased drastically. It was the destination of only 2.1% of Japanese exports in 1990, but the same figure was 6.3% in 2000, and in 2010 it was Japan's main export destination (20.6%). China has also drastically increased its importance as main origin of Japanese imports. In 1990, it was the origin of 5.1% of Japanese imports; it accounted for 14.5% in 2000 and in 2010 it was the main origin of Japanese imports (22.1%). The role of the US as origin of Japanese imports decreased. While 22.4% of Japanese imports originated from the US in 1990, 19% were in 2000 and only 9.7% in 2010 (MIC, 2013).

The increase in China-Japan exports and imports is largely due to an integration of supply-chains, for example in the IT products and automobile sectors. The profiles of Japan-China trade and Canada-China trade clearly differ. This is because the Canadian-Chinese inter-industry exchange relies heavily on Canada's exports of resources to China and imports of manufactured products from China. A full analysis of Canada's and Japan's economic profiles thus has to take into account their position in global supply chains as well as their profiles in trade in value added (OECD, 2013, pp.13-16). Owing to the increasing importance of global value chains, it is not only important which country is able to sell a final product, but also which country is able to contribute to individual processes within the value chain of the product. As a result, "trade in tasks" is increasingly important for international trade relations (OECD, 2013, p.15). Canada's and Japan's profiles in trade in value added

are similarly important for a full analysis of their offensive and defensive economic interests. The foreign value added content of Japan's exports increased substantially from 1995 to 2009. The domestic value added content of Japan's exports was 85.2% in 2009, while it was as high as 93.1% in 1995 (OECDb, 2013). This increase of foreign value added content of Japan's exports can be observed in all sectors except those of finance and insurance. For example, foreign manufactured imports used by the electrical equipment sector increased substantially from 1995 to 2009. This increase originated largely from suppliers in Asia (OECDc, 2013).

In 2009, Japan was an important supplier of intermediate products in the following sectors: medical, precision and optical instruments; office, accounting and computing machinery; motor vehicles, trailer and semi-trailers. Overall, it was an important producer of intermediate products in high-technology industries. Japan is especially integrated in value chains in Asia. Taiwan, Thailand, Korea, China, the Philippines, Malaysia, Indonesia, Hong Kong, Vietnam and Singapore were most dependent on Japan's intermediate imports across sectors in 2009. In addition, Japan accounted for almost 8% of the intermediate imports of the US (OECD, 2013, pp.250-251). Japan's profile in trade in value added illustrates its integration in global value chains with other Asian countries (OECD, 2013c). Accordingly, in value added terms, the Asian countries mentioned above have lost importance as export destinations for Japan, while the US especially has gained relative importance as the main export destination. As shown in Table 10, China has become Japan's main trading partner, as measured in gross trade flows. However, when measured in trade in value added, the US was the main trading partner of Japan in 2009. China was the second important trading partner of Japan in trade in value added terms in 2009 (OECD, 2013c).

The domestic value added content of Canada's exports was 80.4% in 2009, which is a slight increase from 76.4% in 1995 (OECDb, 2013). According to the OECD, this "largely reflects the significant increase in mining's share of overall value added exports, rising from a little over 10% in 1995 to over one-quarter in 2009" (OECD, 2013d). In a sectoral analysis, the exports of the transport equipment, electrical equipment, basic metals and chemicals and minerals industries had high foreign value added contents. Among the regions of origin of the foreign value added content

of Canadian exports, Europe and Asia became relatively more important across all sectors from 1995 to 2009. The importance of North America as a region of origin decreased relatively in all sectors with the exception of the finance and insurance, and business services sectors. However, the US remains by far the most important trading partner of Canada, also in terms of trade in value added. Approximately 60% of Canadian exports in value added went to the US and approximately 50% of Canadian imports in value added came from the US in 2009. From an analysis of Canada's bilateral trade balance with the US in 2009, Canada's trade surplus in value added was significantly smaller than its surplus in gross trade (OECD, 2013d). Furthermore, the growing importance of global value chains can also affect the defensive interests of countries, for example when it comes to tariff concessions. Export competitiveness in global value chains also depends on intermediate imports that are then re-exported. High tariff barriers on such imports of intermediate goods can decrease the ability of a country to offer competitive exports in a global value chain. As a result, countries can choose to reduce their tariffs on such intermediate inputs. This was the case, for example, in March 2010 when Canada decided to eliminate tariffs on such intermediate inputs in the manufacturing, machinery and equipment sectors, in order to increase its competitiveness in value chains (OECD, 2013, pp.94-95).

Overall, the analysis of Japan's trade in value added identifies the US as Japan's main trading partner, although China is still Japan's second-most important trading partner. For Japan's economic interests and its trading profile, the analysis of trade in value added reveals an increase in the overall importance of the US as a trading partner for Japan. Furthermore, it shows that Japan is well integrated into global value chains, especially in Asia. This integration is important for its profile in anti-dumping negotiations, which is analyzed in further detail in Chapter 5. It also shows that 40% of Japan's exports depended on services in 2009. This is relatively low compared with that of other OECD countries (OECD, 2013c). In the case of Canada, the analysis of trade in value added shows the importance of mining in its exports. Services accounted for 37% of Canadian exports in 2009. This low share indicates "the relatively high proportion of mining products exported by Canada, where the services content is typically low" (OECD, 2013d).

3.5.1: The defensive interests of the Japanese agricultural sector.

Agriculture is a very sensitive and political subject for the Japanese public. As a result, a variety of strong defensive interests are associated with it. First, rice and agriculture in general are strongly linked to food security. In fact, rice has already been considered a “sanctuary” since the start of the Uruguay Round. Japanese negotiators referred to rice as a “religion” during the Uruguay Round’s negotiations on rice (Macrory et al., 2005, p.174). Furthermore, the concept of “multi-functionality”¹⁹ of agriculture is important in Japan (Macrory et al., 2005, p.178). The offensive economic interests associated with the Japanese agricultural market are limited. Japan’s agricultural market is not very competitive at the international level, as 70% of the Japanese farmland is owned by small-scale farmers (Godo, 2007, 2008). This defensiveness of the Japanese agricultural sector can affect Japan’s bargaining power mainly through the conditioning factors of economic power and domestic politics. The high degree of defensiveness of the agricultural sector and the influence of defensive domestic interest groups can limit the ability and willingness of Japanese negotiators to make concessions in this sector. This can, in turn, affect the overall economic power of Japan in the negotiations through issue linkage. These factors are analyzed in more detail in Section 3.7 of this Chapter.

3.6: The increasing number of concessions made by Canada and Japan to key trading partners through bilateral and regional FTAs.

As pointed out in Chapter 2, the economic factor of the concessions made to key trading partners through bilateral and regional FTAs has to be investigated. Dür states that this factor is important as it can influence the relative BATNA of a country owing to trade diversion effects (Dür, 2008). Accordingly, a short overview of the FTA strategy of both Canada and Japan is included in this analysis. With

¹⁹ A definition of the concept of “multi-functionality” of agriculture: the “following functions may be considered as major elements: (1) land conservation including preventing floods, preventing soil erosion and preventing landslides; (2) fostering of water resources; (3) preservation of the natural environment including management of organic waste, resolution and removal of polluted substances, air purification, and maintenance of bio-diversity and preservation of wildlife habitats; (4) formation of scenic landscapes; (5) transmitting culture; (6) rural amenities; and (7) maintaining and revitalizing rural communities. Most functions are the so-called externalities created by agricultural activities” (Honma, 2006, p.700).

regard to Japan, a strong policy shift towards bilateral trade negotiations can be observed especially during the DDA. During the Uruguay Round, Japan focused fully on multilateral trade negotiations. It did not negotiate bilateral agreements with other countries until 1997. However, since then Japan has concluded bilateral agreements with a variety of countries: Singapore (2000), Mexico (2004), Malaysia (2004), Philippines (2006), Indonesia (2007), Chile (2007), Thailand (2007), Brunei (2007), ASEAN (2008), Vietnam (2008), Switzerland (2009), India (2011) and Peru (2011). Japan is currently negotiating several additional bilateral and regional agreements (MOFA, 2013a).²⁰

One reason that can explain this policy shift is that Japan has reacted to trade diversion effects. It changed its policy in order to address trade diversion effects resulting from existing bilateral and regional FTAs between other countries. Another reason is the exclusion of three of the four Singapore issues from the DDA agenda. The negotiation issues of trade and investment, transparency in government procurement, and trade and competition policy were excluded from the agenda in 2004 (Sandrey, 2006). The negotiation issue of investment was a priority for Japan. As a result of this exclusion, important preferences of Japanese negotiators were no longer addressed by multilateral trade negotiations. Accordingly, Japan suddenly had less to gain in the DDA than before. The exclusion of these issues from the DDA agenda is thus a reason for Japan's increased focus on bilateral and regional negotiations, where these issues could be included. This is also illustrated by Japan's strategy of negotiating these bilateral agreements in the more comprehensive form of "Economic Partnership Agreements" (EPAs). These EPAs include issues such as investment, government procurement and competition. Investment has been a major priority in many of the negotiated EPAs (Watanabe, 2012). All of Japan's bilateral trade agreements concluded so far have taken the form of such EPAs (MOFA, 2013a). Finally, the continued blockage of the DDA negotiations can also be considered to be a reason for Japan's increased focus on bilateral and regional FTAs.

With regard to Canada's FTA policy, especially the North American Free Trade Agreement (NAFTA) is important. NAFTA came into force in 1994. It is important

²⁰ Japan is currently conducting bilateral negotiations with Korea, Australia, the Gulf Cooperation Council, Canada, Mongolia, Colombia and the EU. Furthermore, Japan is also participating in the negotiations of a Regional Comprehensive Economic Partnership (MOFA, 2013a).

for Canada especially because of the inclusion of the US. During the DDA, many of Canada's main trade priorities with its by far most important trading partner were already addressed by NAFTA. This can be seen as a factor which limited its interest of assuming an influential position on certain issues of the DDA. This is relevant, for example, in Canada's role in the anti-dumping negotiations during the DDA, which will be explained in further detail in Chapter 5. In addition to NAFTA, Canada has also actively pursued bilateral FTA negotiations with a variety of other countries. FTA agreements have come into force with Israel (1997), Chile (1997), Costa Rica (2002), Peru (2009), Colombia (2011), Jordan (2012) and Panama (2013). Furthermore, a bilateral FTA was signed with Honduras in 2013. Canada also concluded negotiations on the regional European Free Trade Association (EFTA) in 2009. Furthermore, Canada is currently negotiating several other FTAs (Government of Canada, 2013).²¹ One of the reasons for Canada's active FTA policy is the ongoing blockage of the DDA. Canada's main priority is still the level of multilateral trade negotiations. However, as there is a current blockage in the DDA and as the US has increasingly negotiated FTAs itself, Canada has focused more on FTAs in order to stay competitive especially compared to the US.

The concessions made to key trading partners through bilateral and regional FTAs by both Canada and Japan have increased substantially from the Uruguay Round to the DDA. An outline of the concessions made to each of the respective trading partners in the different FTAs of Canada and Japan is beyond the scope of this research. As Dür points out, this increase of bilateral and regional trade agreements can influence the BATNA of Canada and Japan and have an effect on their relative overall bargaining power in multilateral trade negotiations. However, this research will not present a major focus on this factor but it will be included as a background factor to the overall analysis. This less heavy focus on this factor results from this study being concerned with the explanation of the changes of the bargaining power of Canada and Japan. For this, a clear improvement of the BATNA of Canada and Japan relative to other major key traders would be needed to affect their bargaining power significantly. However, not only Canada and Japan, but also many other countries,

²¹ Canada is currently negotiating FTAs with the Caribbean Community, the Central America Four, the Dominican Republic, the EU, India, Japan, Korea, Morocco, Singapore and the Ukraine. Furthermore, it is participating in the Trans-Pacific Partnership Negotiations (Government of Canada, 2013).

and especially key traders, have been heavily focusing on more active FTA strategies. Therefore, it is not clear whether the relative BATNA of Canada and Japan to multilateral trade negotiations has actually improved compared with that of other countries. In addition, none of the interviewees has referred to an improved BATNA from the Uruguay Round to the DDA as a major conditioning factor of the bargaining power of Canada and Japan. As a consequence, the increased focus on bilateral and regional trade agreements will be included as a background factor to the overall analysis. This inclusion as a background factor is important for an overall assessment of the reasons for Canada's and Japan's profiles in the DDA, which will be analysed in further detail in Chapter 4.

3.7: Analysis of Canada's and Japan's domestic and political decision-making structures as they relate to multilateral trade policy.

This section analyses the domestic and political decision-making structures relating to Canada's and Japan's multilateral trade policy formation. How are the decision-making processes structured in Canada and Japan and what mechanisms are at play? To what extent did these mechanisms change from the Uruguay Round to the DDA? To what extent and how can these mechanisms themselves influence the bargaining power of Canadian and Japanese negotiators in multilateral trade negotiations?

3.7.1: Canada's domestic trade policy decision-making mechanisms.

Canada's system of governmental decision-making includes a Prime Minister, a bicameral parliament, a Cabinet and the Governor General, representing the monarch. Each of the ten Canadian provinces has its own regional government.²² According to the Canadian constitution, the authority for the conduct of trade policy is conferred to the federal government. However, the "authority for property and matters for local or private nature" are assigned to the regional governments (Wolfe, 2007, p.26). While the federal government can sign international trade agreements, it

²² With regard to the administrative territorial evolution of Canada's provinces, they have remained unchanged since the start of the Uruguay Round.

is dependent on the support of the regional governments for the implementation of these agreements. This point is especially important if the responsibility is shared between the federal government and the provinces. This is the case, for example, in the areas of agriculture and the environment. The government can begin negotiations on trade agreements without a mandate. The parliament has to accept the legislation required for implementing the negotiated agreements, while the government is dependent on the political support of the parliament in order to stay in office (Wolfe, 2007, p.27). Although trade policy is relevant for the policy areas of several ministries, such as Environment Canada, the Department of Finance, Industry Canada and Agriculture and Agri-Food Canada (AAFC), there is a specific ministry, the Department of Foreign Affairs and International Trade (DFAIT), which leads on international trade relations and is under direct political authority of the cabinet.

The Canadian trade policy decision-making process has a long tradition of consultation through a complex system of both formal and informal consultation. These consultation channels allow different interest groups to influence Canadian trade policy. Formal consultation channels include, for example, the Sectoral Advisory Committees on International Trade (SAGIT) and the Parliamentary Standing Committee on International Trade which has enabled industries to make their opinion heard within the Canadian government (Macrory et al., 2005). In addition to business interest groups, civil society organizations and NGOs increasingly influence Canadian trade policy makers. These actors are able to make use of the formal consultations channels such as the SAGIT (Wolfe, 2007b, p.33). Another formal consultation channel is the Academic Advisory Council (Wolfe, 2007b, p.30). As Wolfe points out, DFAIT started to reform its consultation mechanisms by introducing three levels based on “strategic, tactical and technical needs” during the DDA. Business associations are involved in the consultations on all of these levels. NGOs, however, are excluded from the strategic level (Wolfe, 2007b, p.31). The federal-provincial distribution of power that exists within the Canadian political system is also important. Provinces are crucial actors in the decision-making processes of Canadian trade policy. For example, DFAIT has established several formal consultation channels at the provincial level (WTO, 2011a, pp.10-11).

Minority governments can occur within the Canadian political system if no party has the majority of seats. These minority governments can rely on less political stability than majority governments, as they have to obtain support from other parties within the parliament. From 2006-2011, Canada was under a conservative minority government. It was under a liberal minority government from 2004 to 2006. The existence of a minority government can affect Canadian trade policy. As Wolfe points out, minority governments can decrease the flexibility of negotiators especially on sensitive issues (Wolfe, 2010, p.296). A specific example of such an impact on trade policy is Canada's agricultural minister's inability to attend a Cairns group meeting in June 2009 in Indonesia. This was due to the fact that the minority government wanted to prevent the minister's absence, in the case of a confidence vote in the House of Commons (Wolfe, 2010).

The administrative division of DFAIT from 2003 to 2006 into two separate departments, Foreign Affairs Canada (FAC) and International Trade Canada (ITCan), is a structural factor that can affect Canadian trade policy. As a result, the Standing Committee on Foreign Affairs and International Trade (SCFAIT) that existed before was divided in two committees. One of the committees dealt with issues concerning foreign affairs and one with issues of international trade. In 2006, DFAIT was re-established as one department. However, these committees stayed divided and, as Wolfe points out, they “do not talk to each other” (Wolfe, 2010, p.297). This division can have important impacts on Canadian trade policy. For example, it prevents the committees from working together on major reports that analyze relevant trade issues. The SCFAIT committee worked on such reports on a variety of occasions before the division (Wolfe, 2010). Secondly, it reduces Canada's ability to make use of strategies such as “forum shopping”. The use of this strategy means that aspects of several issues, for example foreign policy and trade policy, are interlinked in different forums to maximize bargaining power. This ability is further decreased because the physical division of trade officials from other officials continued even after 2006. They remain in a separate building divided from other government departments. The use of such strategies requires a high degree of coordination and communication between different policy areas, which is limited by these structural factors.

The following section briefly illustrates the dynamic of this system of consultation and of federal-provincial interaction using different key sectors as examples. It uses important offensive and defensive economic interest groups to analyze in what way they are able to make use of Canada's domestic trade policy decision-making mechanisms. For example, stakeholders on services have been able to make their opinions heard through a variety of formal and informal consultation mechanisms.²³ The government conducted workshops with stakeholders to identify more specific offensive interests during the DDA.²⁴ As Wolfe points out, the stakeholders and interest groups in the Canadian services sector largely held offensive economic interests, with the exception of the financial services industry (Wolfe, 2007b, p.53). An important umbrella association with offensive interests in services is the Canadian Manufacturers and Exporters' Association which has a Services Exporters Committee. However, such umbrella associations which are involved in consultations are not specialized on services only. Specialized services firms in Canada are, however, not well organized and do not have the necessary expertise in the issues of the current multilateral trade negotiations (Wolfe, 2007b, p.52). Representatives from "business, professional and consumers' associations tended to be favourable to the GATS and focused their comments on issues such as impediments to cross border movement; recognition of credentials and maintenance of regulatory standards; and the question of autonomy for self-governing bodies" (DFAIT, 2004).

NGOs have also been influential. As Wolfe points out, health and education were excluded from services negotiation issues in the DDA, in part owing to the influence of NGOs (Wolfe, 2007b, pp.51-52). Overall, NGOs and civil society organizations were "less favourable to the GATS and to trade liberalization. Their comments focused on the challenges of globalization: the danger of weakening Canada's sovereignty by restricting its right to regulate in the public interest; the need to better

²³ During the DDA, examples are electronic questionnaires, the House of Commons Standing Committee on Foreign Affairs and International Trade, a working group on international trade of the Federation of Canadian Municipalities (FCM), consultation workshops as well as direct meetings with specific associations and interest groups (Wolfe, 2007b, pp.50-51).

²⁴ According to Wolfe, such stakeholders with offensive interests in the services negotiations included "lawyers, accountants, engineers, management consultants, information technology businesses, telecommunications services providers, oil and gas, mining, research and development, environmental and construction services providers. Other participants included representatives from cultural industries, labour unions, provincial economic development departments, municipal governments, public interest advocates and consumer advocates" (Wolfe, 2007b, p.53).

integrate our social values into trade agreements; and the need for greater transparency in the negotiation and management of trade agreements” (DFAIT, 2004).

Another key sector that is useful for this analysis is the Canadian agricultural sector. The majority of the agricultural industries are export-orientated. Canada is a major exporter of agriculture and agri-food products. Examples of important exporting-orientated industries are the wheat, coarse grains, oilseeds, pork, beef and live cattle industries (WTO, 2011a, p.95). As noted above, the agricultural sector also includes the defensive supply-managed industries. Important business associations of this sector range, for example, from the umbrella organization Canadian Federation of Agriculture to “more specialized groups like the Dairy Farmers of Canada and the Canadian Horticultural Council”. These organizations are represented at the national, regional and provincial level (Wolfe, 2007b, p.45).

Canada’s domestic trade policy decision-making mechanisms provide different formal and informal channels of influence for both the offensive and defensive interests of these industries. For example, negotiators regularly consult these industries through teleconferences in the Agriculture Trade Negotiations Consultations Group (ATNCG).²⁵ NGOs are also included in these consultations. In addition, agricultural industry stakeholders are invited to regular roundtables on current DDA negotiations (Wolfe, 2007b, p.47). The Canadian dairy, poultry and egg industries that are mostly located in Ontario and Quebec are under a supply management system (Gifford, 2005, p.2). This system is highly protected by the federal Canadian government through measures such as the system of support prices and tariff rate quotas. These highly defensive economic interest groups of the supply managed industries are “without any doubt the most influential lobbying force in Canada” for several reasons (interview).

The economic output of these industries is a significant part of the Canadian economy. As a result, related interest groups are “well organized, powerful, well financed and work very well as a lobby” (interview). Their influence is strengthened

²⁵ As Wolfe points out, this group includes “the full range of agri-food stakeholders, including supply management, export-oriented, and agriculture and agri-food processing interests” (Wolfe, 2007b, p.47).

by the federal-provincial distribution of power. This system gives lobbying groups of the supply-managed industries the opportunity to lobby their provincial governments intensively. As the jurisdiction in agriculture is split between the federal government and the provinces, the provincial governments have a strong influence over agricultural trade policy. The supply-managed industries profit from extensive formal channels of consultation in the Canadian government mentioned above.

A number of informal channels of consultation also exist between industrial interest groups, companies, ministers and their officials. These channels are used by the supply-managed industries to “meet with policy makers and trade officials more directly on a bilateral basis” (interview). The economic geography of Canada is important for explaining the influence of the supply-managed industries. Most of these are located in the central provinces of Quebec and Ontario. For example, 80% of Canadian dairy farms are located in these provinces, which have an especially large number of seats in the parliament reflecting their large population (Gifford, 2005, p.2). Governments give particular attention to industry interests in these provinces (Winham, 2010, p.137). The debate over national unity plays a role as well, as many of the supply-managed industries are located in Quebec. The government pays close attention to these industries’ interests as it does not want them to become a problem in this political debate.

Canadian agricultural trade negotiators are thus under strong pressure from the supply-managed industries when they negotiate in Geneva. Senior officials especially will be followed by representatives of these industries during key meetings, and officials are expected to report to them on the ongoing negotiations. When a Canadian minister attends a ministerial meeting, “there will be several provincial ministers accompanying him” (interview). This constitutes an official channel of influence. This example of the supply-managed industries illustrates well two major characteristics of Canadian trade policy decision-making: the importance of formal and informal consultation channels, as well as the division of power between the provinces and the federal government.

It is clear that domestic structures influence Canada’s bargaining power in the negotiations through two factors: the factor of institutional links between domestic

interest groups and trade policy decision-makers, and the factor of domestic cohesion. The domestic institutions and the formal and informal consultation channels described above increase the influence of domestic interest groups over trade policy decision-makers. For example, in the case of the supply-managed industries these institutional links reinforce the defensiveness of the Canadian supply-managed agricultural sector. Domestic structures can reinforce the defensiveness of certain sectors of the economic market and thereby decrease the country's ability to use concessions in these sectors as bargaining chips in negotiations. However, the large majority of interviewees pointed out that this importance of domestic structures themselves can only be considered to be marginal. Furthermore, neither the domestic cohesion between Canadian provinces nor the domestic structures analyzed in this section changed dramatically from the Uruguay Round to the DDA. As this research analyzes the relative decline in bargaining power of Canada from one round to the other, these institutions cannot be considered to be an important explanatory factor.

As pointed out in Chapter 2, the factor of domestic institutions and structures can also influence the economic power of a country when it creates scope for additional market closure. This is the case, for example, for domestic structures related to contingent protection. Contingent protection measures can be used as a threat in negotiations, as they can create additional market closure in sectors on which other trading partners are dependent.

3.7.2: Japan's domestic trade policy decision-making mechanisms.

The Japanese trade policy decision-making process is composed of a variety of relevant ministries in addition to the Cabinet and the parliament. Domestic interest groups influence the process and the institutions are in dialogue with NGOs and civil society. The decision-making process is complex and relies on consensus-building between the different actors (Schnabl and Gurbaxani, 1998, p.129). Within this complex decision-making process, the main power lies at the bureaucratic level of the ministries (Schnabl and Gurbaxani, 1998, p.129). This system was already in place during the Uruguay Round and the early DDA. The Ministry of Foreign Affairs

(MOFA) has a coordinator position. It composes the first draft paper on a negotiation issue and circulates it among other ministries. It has to announce the general position of Japan on a negotiation issue. The other ministry of importance is the Ministry of Economy, Trade and Industry (METI). A multitude of other ministries can be important in the formulation and implementation process of trade policy.²⁶ There are specific structures of participation for a number of different domestic interest groups in parliament. For example, such mechanisms can be found for the sensitive issue of agriculture (Macrory et al., 2005, p.180).

Among the ministries, there is constant interaction with and competition against each other in defining a single trade policy position (Ichiro, 2007, p.189). There is competition for influence among several ministries for each of the different “chess games” that Japan is playing in multilateral trade negotiations. These include, for example, non-agricultural market access, trade in agriculture or trade in services. METI is the leading ministry for non-agricultural market access. For trade in agriculture, the Ministry of Forestry, Agriculture and Fisheries (MAFF) has the dominant position. The ministry of finance is relevant for issues linked to trade in services. In addition to these specific areas of competence, each of the ministries has a general profile which can be either protectionist or supportive of liberalization. For example, METI has a largely market-orientated reputation, while MAFF has a very protectionist profile. Bureaucrats of different political persuasion, such as liberals and conservatives, compete within individual ministries. Japanese negotiators have to obtain a consensus from these different ministries before coming to the multilateral negotiations (interview).

During the 1990s, a series of domestic political reforms were realized in Japan. Examples are the 1994 electoral reform and a bureaucratic reorganization in 1997-1998. Further reforms were realized especially throughout the reform period of Prime Minister Koizumi from 2001 to 2006. Koizumi hoped to realize the necessary structural reforms to boost economic growth. Many of the implemented reforms were compromises reflecting significant resistance. Important sectors such as agriculture, where reforms were necessary, were only “marginally affected” by his reform

²⁶ These “include the Ministries of Agriculture, Forestry and Fisheries; Education, Culture, Sports, Science and Technology; Environment; Finance; Health, Labour and Welfare; Justice; Land, Infrastructure and Transport; and Internal Affairs and Communications” (WTO, 2011d, p.12).

programme (George Mulgan, 2006, 2011, p.262). The three Prime Ministers who succeeded Koizumi were not successful at achieving significant reforms (Noble, 2011, pp.249-260). Furthermore, the period after Koizumi until 2009 was characterized by a “retreat from the Koizumi agenda” (George Mulgan, 2011, p.263). Overall, the reforms that were implemented did change the domestic power balance, and transferred power from the ministries to the parliament and the cabinet. However, the reforms of the period from the early 1990s until 2009 have not managed to “overcome the entrenched resistance of bureaucrats and interest groups” (Noble, 2011, p.249). The Japanese bureaucracy still “remains a key actor in the policymaking process” (Gauder, 2011, p.12). As a result, this period can be characterized by an overall political stagnation and slow progress of a necessary reform agenda in Japan.

In 2009, the Democratic Party of Japan (DPJ) achieved a victory over the Liberal Democratic Party (LDP). Since this takeover of power, additional reforms were started in attempts to change the domestic decision-making process in Japan more towards a “Westminster-style Cabinet government led by politicians rather than bureaucrats” (Noble, 2011, p.257). The DPJ also aims to realize structural reforms in order to change the “iron triangle” system dominated by alliances of bureaucracy, business and interest groups (George Mulgan, 2011, p.266). However, the DPJ does not pursue a clear reform agenda in certain areas such as the agricultural sector. For example, it is in favour of supporting small-scale farms, which are often inefficient. These farms can be considered to be one of the main structural problems of the Japanese agricultural sector (George Mulgan, 2011, p.264).

With regard to Japan’s domestic interest groups, a major group is the federation of economic organizations, Keidanren. Keidanren represents the interests of the manufacturing industries, and different sectoral industrial organizations, such as electronic products or telecom industries. Such business circles, the Keidanren and other economic groups can formulate influential policy recommendations. Another important domestic interest group is Japan Agriculture (JA), a “de facto sub-governmental body that helps the Ministry of Agriculture, Forestry, and Fisheries (MAFF) create and enforce policy” (Godo, 2008, p.4). JA is important for the issue of agriculture and strongly supports defensive agricultural interests. For example, it

organizes demonstrations against manufacturers in case Keidanren addresses agricultural issues.

The association of farmers in Japan is an especially influential interest group (Macrory et al., 2005, p.181). Economically inefficient small-scale farmers operating farmlands of up to 3 hectares use 70% of Japan's farmland. Although the use of farmland by professional large scale farmers would be more efficient and increase food self-sufficiency in Japan, these farmers are under high protection by politicians (Godo, 2007, 2008). One reason for this is that the Japanese electoral system provides them with additional voting power "three times the voting power of their urban counterparts" (Godo, 2008, p.3). These farmers are very profitable to JA, as they receive a number of non-agricultural services from JA such as banking and insurance. For example, JA provides these farmers with supermarkets and petrol stations. The farmers, on the other hand, profit from the politicians via the so-called "alchemy" of farmland. Most farmers do not live from their farming income (Godo, 2007, p.4). Japanese rice production is "mainly cultivated by part-time or weekend farmers" (WTO, 2013b, p.73). Many farmers are not primarily interested in farming, but rather want to profit from land conversion by selling their farmland to the private or public sector (Godo, 2007, p.11). Politicians that are supported by the farmers exert pressure on local authorities so that the farmers are able to sell their land. As a result of this relationship between small-scale farmers and politicians, rural agricultural interests are an extremely sensitive topic for Japanese politicians.

As pointed out above, also the political stagnation in Japan over the last two decades has contributed to the continuation of the strong influence of the Japanese agricultural lobby. Important political reforms such as the Japanese electoral reform in 1994 were realized. This reform changed the Single Non-transferable Vote electoral system, which over-represented certain interest groups such as Japanese farmers (Rosenbluth and Thies, 2010, p.123). However, this reform was not sufficient to address the over-representation of this interest group and Japanese farmers "remain politically powerful beyond their numbers" (Rosenbluth and Thies, 2010, p.137). An extensive reform agenda addressing such issues was never fully achieved. As Rosenbluth and Thies point out, prime ministers after the Koizumi period, such as Aso Taro, were in favour of "backpedaling to assuage rural voters,

rather than (...) continuing to push the reform agenda” (Rosenbluth and Thies, 2010, p.177). The long political stagnation in Japan has thus also affected Japan’s profile in the DDA. For example, the slow progress of the domestic political reform agenda was a factor which allowed defensive agricultural groups to continue exerting a strong influence.

In addition to that of these interest groups, the influence of NGOs has to be analyzed. Until the early 1980s, very few NGOs existed in Japan. However, Japan experienced a “boom” of NGOs during the late 1980s and the 1990s (Reimann, 2010, p.163). What was the influence of civil society groups on Japanese trade policy making during the DDA? There are numerous NGOs related to specific industries which represent their economic interests. In contrast to these NGOs representing specific industry interests, the degree of influence of civil society groups is low. Ichiro refers to the low activity and “apparent apathy” of these groups when it comes to the agenda of trade policy making (Ichiro, 2007, pp.189-190). Consultations of these groups by the government and their involvement in the process of Japanese trade policy formation is very limited (Ichiro, 2007, p.189). Japanese civil society groups became more actively involved, as illustrated by their attendance to the Hong Kong Ministerial meeting. Of the 44 Japanese NGOs which attended the Ministerial meeting, “at least ten of them represented civil society interests, such as those who were concerned about sustainable development” (Ichiro, 2007, p.191).²⁷ None of the NGOs mentioned by Ichiro attended the Doha Ministerial Meeting and only three of them attended the Cancun Ministerial Meeting (WTO, 2001a, WTO, 2003a).²⁸ This increased involvement in 2005, however, did not continue throughout the rest of the

²⁷ Ichiro mentions the following NGOs representing civil society interests: “Action for Solidarity, Equality, Environment and Development Japan; Advocacy and Monitoring Network on Sustainable Development; Consumers Union of Japan; Forum for Peace Rights and Environment; Global Guardian Trust; Japan Centre for a Sustainable Environment and Society; Oxfam Japan; Pacific Asia Resource Centre; People’s Plan Study Group; and the 21st Century Public Policy Institute” (Ichiro, 2007, p.192).

²⁸ However, certain other NGOs active in Japan and representing civil society interests were present at these earlier Ministerial Meetings. The “Peace Forum” and the “Solid Action on Globalization & Environment (SAGE)” attended the Doha Ministerial Conference while the “Institute for Global Environmental Strategies (IGES)” and the “Solid Action on Globalization and Environment (SAGE)” attended the Cancun Ministerial Conference. These NGOs did not attend the Hong Kong Ministerial Conference. The three NGOs out of those mentioned by Ichiro that also attended the Cancun Ministerial Meeting were the “Advocacy and Monitoring Network on Sustainable Development”, the “Japan Center for a Sustainable Environment and Society” and the “Global Guardian Trust” (WTO, 2001a, WTO, 2003a).

DDA. Out of these NGOs, only the “Advocacy and Monitoring Network on Sustainable Development” and “Action for Solidarity, Equality, Environment and Development Japan” attended the Ministerial Meeting in Geneva in 2009 (WTO, 2009a). Only the “Advocacy and Monitoring Network on Sustainable Development” attended the Ministerial Meeting in Geneva in 2011 (WTO, 2011e). Furthermore, only the Pacific Asia Resource Centre and the Consumers Union of Japan attended the Ministerial Meeting in Bali in December 2013 (WTO, 2013c). As a result, the overall involvement of NGOs active in Japan and representing civil society interests in the DDA can be regarded as only limited.

In addition to the specific structures of participation, there are numerous informal ways of domestic influence groups to participate in the trade policy decision-making process. As Schnabl and Gurbaxani point out:

“Political interests in Japan are reconciled on an informal basis. Japanese bureaucracy is able to influence the private sector in its decision-making without the need for formal, statutory powers to do so. There are close personal interrelationships between politicians, ministries and big business which facilitate the exchange of information and interplay of interests. As the arrangements made do not have a formal legal basis and the interests of both sides are taken into consideration, the final outcome is usually a compromise” (Schnabl and Gurbaxani, 1998, p.130).

Overall, these decision-making processes can be characterized by the two elements of high complexity and an orientation towards consensus-building. The result of these two elements for Japanese trade policy negotiators is a decrease in flexibility. Before coming to multilateral trade negotiations, they have to answer to different competing ministries, and to a variety of political actors at home and find a consensus.

The link between these domestic structures and the bargaining power of Japan in the negotiations relies on the factors of domestic cohesion and the institutional links between domestic interest groups and trade policy decision makers. Given the bureaucratic nature and complexity of the Japanese decision-making structures, the

element of domestic cohesion can become important, for example, in the case of different influential ministries which disagree on a certain negotiating position. The final position of a Japanese negotiator in multilateral trade negotiations can then be a compromise which is the result of previous negotiations between ministries. This low domestic cohesion can result in a compromise position, which decreases the flexibility of Japanese negotiators. Such a low degree of flexibility has been attributed to Japanese negotiators by a large majority of the interviewees (interview). This can influence the bargaining power of Japanese negotiators. It can result in less room for manoeuvre for making concessions and using bargaining chips in the negotiations. The domestic structures described above can reinforce the influence of domestic interest groups on trade policy decision makers. For example, the Japanese electoral system, as well as formal and informal consultation channels, increase the influence of domestic defensive interest groups, such as JA. These domestic structures reinforce the defensiveness of certain sectors, such as the Japanese agricultural sector. This can affect the bargaining power of Japanese negotiators since they are less able to use concessions on these sectors as bargaining chips in the negotiations.

Again, the large majority of interviewees pointed out that the actual impact of these institutional links themselves on the formation of Japanese negotiating positions is only marginal. Furthermore, the domestic structures described above have not been subject to dramatic change from the Uruguay Round to the DDA negotiations. As a result, they cannot be considered a major conditioning factor for the decline of Canada's and Japan's bargaining power from one round to the other. Finally, Japan has domestic structures relating to contingent protection. For example, it has established an investigative authority for anti-dumping.

3.8: The relevance of the defensiveness in the agricultural sectors of Canada and Japan for their overall bargaining power through issue-linkage.

As a result of the defensiveness of the Canadian supply-managed industries and the Japanese agricultural sector described above, both of these sectors remain highly protected even during the DDA negotiations. Concerning the Canadian supply-managed industries, one reason accounting for this continuing defensiveness is the minimal level of liberalization during the Uruguay Round (Nguyen et al., 1996, p.344, Stewart, 1999, p.53). Canadian supply-managed industries remained subject to extremely high protection through tariffs after the Uruguay Round.²⁹ Even in 2011, the Canadian agricultural sector remained highly protected.³⁰ The simple average final bound tariff for agricultural products was 18%. This is much higher than the average for non-agricultural products of only 5.3%. Concerning the average MFN applied tariffs, the figures were 18% for agricultural products and 2.5% for non-agricultural products in 2011. The total binding coverage was 99.7%. Furthermore, 47.8% of final bound tariffs and 57.9% of MFN applied tariffs were duty-free in the Canadian agricultural sector in 2011. However, many high tariffs still remain³¹ (WTO, 2013d).

Similarly, the Japanese agricultural sector remains highly protected during the current negotiations of the DDA.³² This is due to a very limited degree of liberalization of this sector during the Uruguay Round. For example, Japan only agreed to a minimal liberalization of the market for rice (Croome, 1999, p.330,

²⁹ For example, Canadian tariffs in 1995 on butter were as high as 351.4%, while they were 289% on cheese, 280.4% on chicken, 192.3% on eggs, 283.8% on milk and 279.5% on yogurt.

³⁰ For a full overview of tariffs and imports of the Canadian agricultural sector, see Table 11 in the appendix.

³¹ For example, 7.4% of final bound and 6.4% of MFN applied tariffs were between 10% and 15%. 10% of final bound tariffs and 10.1% of MFN applied tariffs were even higher than that. 5.5% of final bound tariffs and 5.8% of MFN applied tariffs were even higher than 100%. Concerning agricultural products, 52.3% of Canadian imports were duty-free in 2010. High tariff protection still remained with 27.5% of all imports having been subject to tariffs between 5% and 15% and 1.9% of imports having been subject to tariffs between 25% and 50%. Agricultural imports in Canada accounted for 27.3 billion US dollars in 2010. The high level of protection of the Canadian dairy products sector stand out. The average bound and applied duty rates in this sector were at the extremely high levels of 246.9% and 246.8%. The ratio of duty-free imports in this sector was 0%. Other sectors with an especially high level of protection were the animal products sector (average bound and applied rates of 29.5% and 30.5%) and the cereals and preparations sector (average bound and applied rates of 23.6% and 20.3%) (WTO, 2013d).

³² For a full overview of tariffs and imports of the Japanese agricultural sector, see Table 12 in the appendix.

Stewart, 1999, p.22). The Japanese agricultural market remains highly protected even today. In 2011, the simple average final bound tariff for agricultural products was 22.8%. This is again much higher than the average for non-agricultural products of only 2.6%. The average MFN applied tariff was 23.3% in 2011, which is a much higher rate than the one for non-agricultural products of 2.6%. The total binding coverage was 99.7% (WTO, 2013e).³³ Final bound and applied average tariffs in all the other major agricultural sectors was around 10% or higher, illustrating the generally high level of protection throughout the agricultural sector. The only exceptions were the cotton sector, which was fully liberalized, and the section “other agricultural products” with average final bound and applied tariffs of 5.8% and 4.2% (WTO, 2013e).

The defensiveness of the agricultural sectors is important for the overall economic power of Canada and Japan in multilateral trade negotiations. It affects the overall bargaining power of Canada and Japan through issue linkage. As illustrated above, because of domestic political reasons Japan’s agricultural sector is extremely defensive and sensitive. It has remained so from the Uruguay Round to the ongoing DDA. Canada’s supply-managed industries have remained under heavy protection and continue to be a very sensitive sector during the DDA negotiations. These domestic political reasons continue to prevent both Canada and Japan from being able to make concessions on the issue of agriculture. Domestic decision-making structures, as well as a highly elaborated system of consultation channels in both Canada and Japan, further reinforce the importance of the relevant domestic interest groups.

³³ A more detailed outline of Japanese tariffs in the agricultural sector reveals 34.1% of final bound tariffs and 34.9% of MFN applied tariffs were duty-free. Almost one fourth (24.1%) of all final bound tariff lines in the agricultural sector were higher than 15%. 5.2% of final bound tariffs were even higher than 100%. The figures for the MFN applied tariffs were 23.1% of tariffs higher than 15% and 5.1% of tariffs higher than 100%. As a result, while 46.3% of Japanese imports of agricultural products were duty-free in 2010, high tariff protection in the remaining imports can be observed. 19.1% of imports in 2010 were subject to tariffs higher than 15%, while 0.1% of agricultural imports were subject to tariffs even higher than 100%. In 2010, agricultural imports in Japan accounted for 53.1 billion US dollars. The dairy products, cereals and preparations, and sugars and confectionary sectors were subject to high protection through tariffs. The average bound and applied duties in the dairy products sector were as high as 150.6% and 178.5%, with only 29.2% of imports being duty-free. The average bound and applied duties in the cereals and preparations sectors were 73.4% and 68.3%, the same figures for the sugars and confectionary sector were 52% and 28.4% (WTO, 2013e).

The ability to make concessions in this sensitive and still highly protected sector could be used by both countries to demand concessions on other issues and thus to increase their overall bargaining power. As the agricultural sector remains highly sensitive to influential domestic interest groups, both countries are prevented from using the agricultural sector as an additional bargaining chip. For example, such an additional bargaining chip could be used to balance the relative decrease of these country's abilities to offer concessions in the area of non-agricultural market access negotiations through issue linkage. This is due to the strong linkage of non-agricultural market access negotiations, and negotiations on agricultural market access, especially during the DDA (Fu, 2010, p.849). The argument is not that this continuing defensiveness necessarily decreases Canada's and Japan's economic power from the Uruguay Round to the DDA negotiations. It is rather that the continuing defensiveness of these sectors prevents both Canada and Japan from using additional bargaining chips to increase their economic power in the DDA negotiations. Still-protected sectors only increase the bargaining power of an actor if there is an ability and willingness to make concessions in them. Such additional bargaining chips could be used through issue linkage to balance a relative loss of economic power of both Canada and Japan in other negotiating areas. This further illustrates the importance of the conditioning factor of domestic politics and the configuration of the interests of domestic economic interest groups for the overall bargaining power of Canada and Japan.

This continuing defensiveness affects the credibility of Canada's negotiating position on agriculture through its ambiguous negotiation stand. Its negotiation position is ambiguous as it pushes for offensive issues while not being able to make concessions in the supply-managed sectors. Canada's negotiating position on agriculture was already ambiguous during the Uruguay Round and had even been described as "schizophrenic" then (Winham, 2010, p.134). The fact that this defensiveness and ambiguity has been continuing throughout the DDA has increasingly affected Canada's credibility. As Winham points out, "this issue is now going into its second decade in Geneva, and it threatens to become more serious" (Winham, 2010, p.137). Gifford also refers to the danger of Canada's negotiators' being "forced to take untenable positions which results in Canada being marginalized" (Gifford, 2005, p.2). Canada's negotiating position is increasingly considered to be "hypocritical",

as Canadian negotiators are officially in favour of further trade liberalization, but have to defend a status quo on the protection of the supply-managed sectors (Simpson, 2008, Winham, 2010, p.138). Furthermore, this continuing defensiveness can decrease Canada's bargaining power through influencing the conditioning factor of participation in negotiation coalitions. This is especially true for Canada's profile in the Cairns group. This factor is analyzed in more detail in the following chapter. With regard to the future outlook for a potential further opening of the agricultural sectors in Canada and Japan, a certain policy change towards domestic political reform is noticeable in the latter. A progressive opening of the agricultural sector could be considered an opportunity to realize necessary domestic reforms in Japan. In the supply-managed sector in Canada such an opening is less likely, owing to the ongoing political interest of protecting the sector, combined with continuously strong domestic interest groups (interview).

3.9: Conclusion.

The indicators of economic capabilities used in this analysis suggest that both Canada, and especially Japan, have lost relative economic power from the Uruguay Round to the DDA. This is due to a decreased ability of both Canada and Japan to make concessions that other actors are interested in and the inability to use them as bargaining chips in the negotiations. This decreases both Canada's and Japan's ability to "hurt" other members of the negotiations by having bargaining chips that they are interested in. The decline in economic power is relatively more important for Japan than it is for Canada. Japan's decline in market size is higher in both absolute and relative terms. Japan's especially strong decrease in economic power has to be seen in the wider context of its economic and political stagnation over the last two decades.

A number of emerging markets, especially those of China, India and Brazil, have experienced a significant opening towards international trade during the DDA. The resulting economic growth further decreases the relative economic power of Canada and Japan compared with those of these emerging markets. These markets can profit from the increasing consumer power of their rising population, while especially

Japan's population growth has been stagnating throughout the DDA. Canada's and Japan's relative economic power is expected to decline further. In contrast, the predictions indicate that the emerging markets will further increase their shares of world GDP. These predictions already affect both Canada's and Japan's economic power in current negotiations. This is because the value of certain concessions in current negotiations, for example in the form of binding tariff concessions, also depends on the expected future growth of the market or sector in question. Concessions such as binding tariff concessions remain permanent, while the affected markets or sectors continue to develop. In a comparison between Japan and Canada, Japan's share of global GDP (PPP) is expected to decrease at a higher rate in both relative and absolute terms in the short-term predictions. From long-term predictions, Japan's increase of absolute GDP (PPP) is expected to be slower than that of Canada. The decline in Japan's share of global GDP (PPP) is estimated to be stronger than Canada's. These predictions contribute to the conclusion that the decline in economic power is relatively more important for Japan than it is for Canada.

Canada's merchandise exports and imports are strongly focused on the manufacturing sector and largely dependent on the US. Both its commercial services exports and imports are largely based on the transportation, travel and business services sectors. The agricultural sector is divided between offensive interests of export-orientated agricultural industries and defensive interests represented mostly by the supply-managed industries. The US has been by far the main export destination and import origin for Canada. Japan's merchandise trade profile is largely dominated by the manufactures sector and trade in agricultural products is limited, especially for exports. Japan's commercial services exports are heavily based on the transportation and business services sectors. Its imports are largely based on the transportation, business services and travel sectors. Since its accession to the WTO, China has become increasingly important for Japan as an export destination and import origin. In contrast, the roles of the US and EU, formerly the most important trade partners for Japan, have decreased from the Uruguay Round to the DDA. It must be emphasized that the agricultural sector in Japan is linked to a variety of other political issues and is extremely defensive. As a general point, the export orientated sectors in Japan and Canada determine their economic "win-sets" abroad and indicate the areas of offensive economic interests of these countries.

A number of factors of the domestic political and decision-making structures in Japan and Canada can have an impact on their multilateral trade policy. These structures affect the bargaining power of Canada and Japan for two reasons: domestic cohesion as well as the type of institutional links between influential domestic interest groups and trade policy decision-makers. For Canada there is a significant division of power between the provinces and the federal government and a complex system of formal and informal channels of consultation through which a variety of domestic interests groups can influence Canadian trade policy. These channels of consultation increase the influence of defensive interest groups of the supply-managed agricultural sector and reinforce its defensiveness. Also the economic geography of Canada plays a role, for example with regard to the especially strong economic output in the central provinces of Quebec and Ontario. This economic geography further helps the supply-managed industries primarily located in these provinces to influence the decision-making of the federal government.

In Japan, there is the high complexity and a resulting orientation towards consensus-building of domestic trade policy decision-making. These factors affect the flexibility of Japanese trade policy negotiators, and they can decrease their ability to use concessions as bargaining chips in the negotiations. The Japanese political system and both formal and informal channels of consultation can increase the influence of domestic interest groups on trade policy decision makers. They reinforce the defensiveness of the Japanese agricultural sector by increasing the influence of defensive domestic interest groups. This increased defensiveness can decrease Japan's economic power via the reduced ability and willingness of Japanese negotiators to make concessions in this sector. However, the importance of these domestic structures for the bargaining power of both Canada and Japan is only marginal. Furthermore, these domestic structures in Canada and Japan and the domestic cohesion between Canada's administrative provinces did not undergo a dramatic change from the Uruguay Round to the DDA. For Japan this was also due to the long period of political stagnation and slow progress of the domestic political reform agenda. These factors thus cannot be regarded as major conditioning factors accounting for a relative decline in bargaining power of Canada and Japan from one round to the other.

Domestic politics and domestic decision-making structures affect Canada's and Japan's bargaining power by issue linkage. The continuously high defensiveness of the Japanese agricultural sector and the Canadian supply-managed sectors prevents both countries from using these sectors as additional bargaining chips in the negotiations. Through issue linkage, the ability to make new concessions in the agricultural sector could be used to counterbalance the decline in economic power of both Canada and Japan on other issues during the DDA. This could be used to counterbalance their decline in economic power in non-agricultural market access negotiations. For Canada, the continuing defensiveness of the supply-managed sector reduces the legitimacy of the ambiguous negotiation position in agricultural negotiations of the DDA. This also affects Canada's bargaining power through the conditioning factor of participation in negotiating coalitions, for example in the Cairns group. This factor is analyzed in more detail in the following chapter.

This chapter has presented the analysis of the overall structural power of Canada and Japan in both the Uruguay Round and the DDA negotiations. It has examined different conditioning factors and weighed up their relative importance as sources of this overall structural power. It has compared these conditioning factors across both negotiation rounds. It has specifically addressed the importance of economic power, domestic politics and issue linkage for the bargaining power of Canada and Japan. It has contributed to the general analysis of Canada's and Japan's overall bargaining power in multilateral trade negotiations. A complete analysis of their bargaining power requires identification and weighing up of the conditioning factors accounting for their procedural and ideational power in the negotiations. The following chapter analyzes Canada's and Japan's procedural and ideational power in both the Uruguay Round and the DDA.

Chapter 4: Institutional design, norms and ideas as conditioning factors of Canada's and Japan's bargaining power.

4.1: Introduction.

The previous chapter provided the first part of the overall assessment of Canada's and Japan's bargaining power in the Uruguay Round and DDA. It focused on their structural power in the negotiations. This chapter continues the overall assessment of these countries' bargaining power by focusing on the facets of "procedural power" and "ideational power" described above. It contributes to the analysis by examining their impacts on the structural power of Canada and Japan. It complements the historical overview of relevant indicators of bargaining power by discussing the impact of institutional factors as well as norms and ideas. It provides an overview of changes within the institutional design of the international trade regime from the GATT to the WTO and analyzes the role of norms and ideas as a conditioning factor of Canada's and Japan's bargaining power.

The chapter is divided into three parts. In the first, a historical overview of the overall development of the multilateral trade regime's institutional design from the Uruguay Round to the DDA is provided. This section starts with an outline of the constant increase of membership to the GATT/WTO, focusing on the growing number of developing countries. It illustrates the major changes in institutional design and within the basic decision-making processes from the Uruguay Round to the DDA and describes the increased participation and representation of developing countries in the WTO. This first section contributes to the chapter by setting the background for the later analysis. In the second section the chapter focuses on a more detailed analysis of Canada's and Japan's profiles within this institutional design. This section provides a detailed analysis of the changing configuration of the country groups at the top of the "pyramiding" process of decision-making. Canada's and Japan's profiles within different country coalitions from the Uruguay Round to the DDA are also analyzed. As the chapter focuses on an overall analysis of Canada's and Japan's bargaining power in the Uruguay Round and DDA negotiations, their coalition activity across the board of different negotiation issues is analyzed. The

analysis of coalitions thus goes beyond the specific negotiation issues of market access/non-agricultural market access and anti-dumping which are analyzed in more detail in the case studies of Chapters 5 and 6. The last section focuses on the role of norms, ideas and reputations or images in multilateral trade negotiations. This section includes an analysis of the major norms or ideas that developed from the Uruguay Round to the DDA and their impact on Canada's and Japan's "ideational power". It also analyses to what extent the reputations or perception of Canada, Japan and other key countries have changed from the Uruguay Round to the DDA.

4.2: The evolution of the multilateral trade regime's institutional design from the Uruguay Round to the DDA.

An important point is the steady increase of the multilateral trade regime's membership from the Uruguay to the DDA. The number of member countries in the multilateral trade regime has almost doubled over the last two decades and the ratio of developing countries has been growing strongly (Draper and Sally, 2005, p.5). At the start of the Uruguay Round, 63 developing countries were members of the GATT. As many as 106 out of 144 members of the WTO were developing countries at the start of the DDA (Patel, 2007). Furthermore, the participation of developing countries in the negotiations has increased, especially since the start of the DDA negotiations. The developing country majors participate more actively than they did before (Draper and Sally, 2005, p.31). Smaller developing countries and least-developed countries (LDCs) are increasingly active as well. In contrast, the majority of developing and, especially, least-developed countries remained passive during the Uruguay Round (Draper and Sally, 2005). An illustration of this more active participation is the increasing number of direct references made to developing countries and their interests in negotiation texts during the DDA.³⁴

³⁴ For example, documents concerning the negotiations on the non-agricultural market access modalities make frequent reference to "developing countries" as well as "developing members" and their interests. Such references occur 87 times alone in the document (TN/MA/W/103/Rev.3). Also earlier documents concerning these negotiations make frequent references to developing countries and their concerns ("Girard Text" TN/MA/W/35 and JOB(03)152/Rev.2 in 2003, Annex B of WT/L/579 in 2004, JOB(07)/126 in 2007 and TN/MA/W/103/Rev.2 in 2008). Available at: <http://www.wto.org/>

These developments have contributed to a change of the institutional design of multilateral trade negotiations from the Uruguay Round to the DDA. First, the decision-making process within the regime has changed.³⁵ Throughout the Uruguay Round the so-called “club model” existed. It relied on a small number of developed countries, with the “Quad” countries at its centre, to make the major decisions in the negotiations. The majority of developing countries remained passive (Vickers, 2012, p.260). In contrast to this old “club model”, a new basic decision-making model of “concentric circles” has developed. This model relies on “a core of 30-plus developed and first-division developing countries, with an inner core of developed and developing country majors” (Draper and Sally, 2005, p.30). This inner core of decision-making is composed of members such as the EU, US, China, Brazil, India, Japan and Australia. The second level of these concentric circles is the so-called “Green Room” group, which is a group of both developed and developing countries whose membership has been increasing. It is composed of about 20 to 40 delegations (WTO, 2014c). These “Green Room” meetings facilitate discussions and negotiations on specific issues in a more informal setting. The final level comprises the rest of the WTO members.

Secondly, the configuration of the country groups at the top of the “pyramiding” process of decision-making in the multilateral trade regime has changed from the Uruguay Round to the DDA. The Quad has not met at ministerial level since the ministerial conference in Seattle in 1999. It has not been able to fulfil its role as the most central negotiation group since then (Ichiro, 2007, p.188). This can be illustrated from analysis of its profile during later key moments of the negotiations such as other ministerial meetings. As early as 1999, criticism of the Quad as the legitimate central negotiation group had occurred within the transparency debate. The decision-making was not considered to be transparent particularly among developing countries. Another example is the Cancun ministerial conference in 2003. During this, the G-20, a newly emerged developing country coalition, blocked a paper on agriculture that the EU and US had proposed. This brought the DDA negotiations to a first halt (Wolfe, 2006). A new configuration of the most central negotiation group emerged in 2004. The US, the EU, Brazil, India and Australia

³⁵ Despite the changes outlined above, the basic democratic decision-making model of “one-member-one-vote” has remained unchanged from the GATT to the WTO (WTO, 2013h).

joined to form the “Five interested parties” (FIPs), which contributed to the July 2004 framework agreement. Similarly, the “G-4” emerged as a new central group in 2005. It was composed of the US, the EU, India and Brazil and has held meetings on a regular basis since its creation (Wolfe, 2006, Annex B). The disappearance of the Quad as the most central negotiation group and the end of the old “club model” of decision-making have directly affected Canada’s and Japan’s bargaining power. This is analyzed in further detail below.

A third important point is that the emergence of developing country coalitions has increased since the creation of the WTO. Many developing countries face challenges posed, for example, by their relatively small market size and the resulting limited economic leverage in negotiations. They can also have weaknesses in negotiating strategies and tactics, as well as limited institutional resources (Birkbeck and Harbourd, 2011, p.3-4). Because of these reasons, developing countries progressively chose to pursue the tactic of forming coalitions (Draper and Sally, 2005, p.7). This development is outlined in Table 15.

Table 15: Proliferation of developing country coalitions from the GATT to the WTO (1973-2013).³⁶

Time period	Coalition formation
(1973-1979) <i>Tokyo Round and pre-Uruguay (before 1986)</i>	ASEAN Group (1973); Informal Group of Developing Countries (1982); Café au Lait Group (1983).
(1986 – 1994) <i>Uruguay Round</i>	Developing Countries on Services (1986); Cairns group (1986); Air Transport Services (1986); Food Importers' Group (1986); Latin American Group (1986); MERCUSOR (1991).
(1995 – 2013) <i>WTO established</i>	<i>Pre-DDA 1995 – 2001:</i> Like-Minded Group (LMG) (1996); Small Vulnerable Economies (SVEs) (1996); African Group (1997); Caribbean Community (CARICOM) (1997); Friends of Fish (1998); Friends of Geographical Indications (1998); Friends of the Development Box (1999); G-24 on services (1999); Least Developed Countries (LDC) Group (1999); Paradisus Group (2000). <i>DDA 2001-2013:</i> African, Caribbean and Pacific (ACP) Group (2001); Core Group on Singapore Issues (2001); Recently Acceded Members (RAMs) (2003); Cotton-4 (2003); G-20 (2003); G-33 (2003); G-90 (2003); Landlocked Developing Countries (LLDCs) (2003), Tropical Products Group (2004); G-11 (2005); Core Group on Trade Facilitation (2005); NAMA-11 (2005); Low-income Economies in Transition (2005); G110 (2005).

Developing country coalitions are not only increasing in number, but they are also playing an increasingly important role within the negotiations in the WTO. These coalitions can have the function of a “transition belt” within the model of concentric circles described above (Wolfe, 2006, p.10). Through developing country coalitions, smaller developing countries can have “virtual access” to central decision-making groups such as the “Green Room” meetings. Smaller developing countries can profit

³⁶ Sources: http://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm, Patel, 2007, Birkbeck and Harboud, 2011.

from technical support and research assistance within these coalitions as well (Patel, 2007, p.17, Birkbeck and Harboud, 2011, p.5).

As a result of these advantages, developing country coalitions have “emerged as an integral part of the consensus-building process in the WTO” (Patel, 2007, p.14). They have become increasingly institutionalized in the WTO (Patel, 2007, p.2, p.20). Forms of small-group negotiations, such as developing country coalitions, are increasingly helpful in overcoming the growing complexity of multilateral trade negotiations. This growing complexity results in part from the increasing number of member countries. Developing country coalitions facilitate learning as well as the forging of compromises. They can thereby contribute to building convergence among WTO membership (Birkbeck and Harboud, 2011). However, these developing-country coalition advantages can only be realized if their members manage to cope with certain challenges. These include divergent interests, ineffective leadership or problems of internal coordination within the groups. Many developing countries also face the challenge of inadequate resources spent on the negotiations as well as insufficient expertise.

4.3: The growing amount of resources spent on the negotiations by developing countries and their increased representation during the DDA.

As pointed out in the second chapter, the resources attributed to the negotiations itself are an important aspect of the procedural power of a country. Michalopoulos states that in 2001 more than 25% of developing countries did not have missions in Geneva (Michalopoulos, 2001, p.156). The average size of developed country missions in Geneva was 7.3 people in 2000. In contrast, the average size of developing country missions was only 4.1 (Michalopoulos, 2001, p.158). A large number of developing countries have a clear disadvantage in terms of negotiation resources and staff compared with developed countries (Narlikar, 2001, p.7, Michalopoulos, 2001, p.159, Tussie and Lengyel, 2002, p.486, Elsig, 2006, p.12). However, these average figures are not indicators for the decreased effectiveness of the representation of all developing countries. In fact, there are 15-20 developing countries that have “effective representation” (Michalopoulos, 2001, p.160).

Examples of these developing countries are India, Egypt, Thailand, Brazil and China since 2001.

Overall, the negotiation resources as well as the representation of developing countries have considerably increased from the Uruguay Round to the DDA. Many developing countries were affected by a relative disadvantage during the Uruguay Round. Their levels of representation are still not comparable with those of developed countries. But they are able to profit from increased resources and an improved representation during the DDA over that in the Uruguay Round. For example, as Santos points out: “Developing countries’ staff increased by 145, LDCs’ by 35, and transition economies by 26 persons” from 1997 to 2003 (Santos, 2003, p.12). A large number of developing countries also suffered from disadvantages when it came to skills in the negotiations especially during the GATT (Narlikar, 2003, p.11-12). These decreased negotiating skill levels of these developing countries have been improving since the start of the DDA (Odell, 2006, p.1).

Accordingly, many developing countries profit from a more effective representation and increased staff, have attained higher levels of skill and participate more actively than before in the negotiation bodies of the DDA. Within the framework of this analysis, these elements are related to the importance of information, expertise and technical competence. Developing countries with a more effective representation and increased staff are able to gather more information and to increase their expertise and technical competence. This more effective representation, higher skill level and more active participation increased the procedural power of developing countries from the Uruguay Round to the DDA. This resulted in a general relative loss of procedural bargaining power of developed countries. They were unable to profit from these relative advantages in the DDA as they did in the Uruguay Round. While this development affects all developed countries and cannot be attributed only to Canada and Japan it provides a useful background for the specific analysis of their procedural power.

4.4: The importance of Canada's and Japan's increasing focus on negotiations of bilateral and regional FTAs.

A background factor linked to negotiation resources is the importance of bilateral and regional trade agreements. Negotiations on the multilateral and the bilateral or regional level happen in parallel. As a country does not have unlimited negotiation resources, it is possible that governments lay a stronger focus on one level than on the other. This is important, as concessions obtained on the bilateral or regional level can decrease the interest of a country to play an influential role in multilateral trade negotiations and to focus its resources on them. As a result, Canada's and Japan's policy on FTAs at the bilateral or regional level is an important background factor.

As pointed out in Chapter 3, the level of bilateral and regional trade negotiations has been an increasingly important alternative to the multilateral level for Canada, and especially Japan, during the DDA. Canada has increasingly pursued an active FTA policy during the DDA. In addition to that, many of its main priorities with its most important trading partner have been already addressed through NAFTA. This influences the importance that Canada attributes to the multilateral negotiations of the DDA, for example on anti-dumping. Furthermore, it results in an increased focus of Canada's negotiation resources on the bilateral and regional levels. In the case of Japan, an important policy shift towards bilateral and regional negotiations can be observed. For the reasons mentioned in Chapter 3, Japan focuses more resources and gives increasing priority to this level of negotiation. This development is an important factor in the overall assessment of Canada's and Japan's profiles in the Uruguay Round and DDA negotiations. The argument is that a decreased profile of Canada and Japan in these negotiations is not only due to a decrease in bargaining power. Such decreased profiles or less influential roles can also result from a decreased willingness of these players to exert such influence and to assume a more active role in the negotiations. As a result, this factor of Japan's and Canada's FTA policy is included as background in the analysis of their bargaining power in multilateral trade negotiations.

4.5: Analysis of Canada's and Japan's procedural power during the Uruguay Round and DDA.

The previous sections analysed the general development of the multilateral trade regime's institutional design as well as background factors such as the increased representation and participation of many developing countries. This section focuses on a more specific analysis of the negotiation profiles of Canada and Japan. It analyses the profiles of Canada and Japan in the different groups and coalitions in which they participated during the Uruguay Round and DDA. As stated in chapter 2, this research distinguishes between bargaining coalitions and central negotiations groups. Coalitions can take different forms. Narlikar refers to "two ends of a spectrum: bloc-type coalitions and issue-based alliances" (Narlikar, 2003, p.103, Narlikar, 2006a, p.6). These issue-based alliances are formed between countries in order to react to specific threats. Bloc-type coalitions on the other end of the spectrum are formed "between like-minded states that negotiate across a variety of issue areas" (Patel, 2007, p.6). Coalitions can differ significantly in their size and internal cohesion. For example, there are a number of "common characteristic" coalitions with a large number of members which are unable to negotiate effectively owing to insufficient internal cohesion. Examples of this type of coalition are the G90, the Africa Group and the LDC group. Such coalitions can have the function of being "chat groups" for its members (Sally, 2002, p.58, Draper and Sally, 2005, p.6, Narlikar, 2003, p.44). Such "chat groups" can be used by their members for information sharing and the formation of ideas.

Central negotiating groups are formed with the aim of facilitating bridge-building among major actors with different negotiation positions. As Narlikar points out, these central groups differ from bargaining coalitions. These "consensus-building groupings" form when "key players, representing diverse and often opposing positions, come together to try and find a middle ground" (Narlikar, 2012, p.185). The most important characteristics of central negotiating groups are that they bring together the key players of a negotiating round in a central, exclusive group and that they have the specific aim of facilitating consensus-building among them. These characteristics distinguish them from coalitions, including coalitions that act as "chat groups". More and less central configurations can be distinguished among these

central negotiating groups. Examples of the most central groups are the Quad during the Uruguay Round or the G-4 and FIPs during the DDA negotiations. The so-called “Green Room” meetings are an illustration of a less central negotiating group.

Within the theoretical framework of this analysis, these central negotiating groups can also be distinguished from coalitions in the way they affect the bargaining power of their members. Participating in these central negotiating groups is a source of bargaining power because of the ability to profit from an asymmetry over non-participating countries. This asymmetry can result from gains of information, expertise and technical competence. Similar advantages could also result from participating in a bargaining coalition, for example in a coalition with the function of a “chat group” for its members. However, countries that participate in central negotiating groups are also able to negotiate directly with the other most important key players in an exclusive and often informal setting. This also increases their bargaining power compared with non-participating countries. As a result, being “at the table” in these groups is itself a source of bargaining power. In addition to this, members of a bargaining coalition can profit from an additional increase of bargaining power. This further distinguishes them from central negotiating groups. As pointed out in Chapter 2, this increase depends on different factors, such as the overall economic power of the coalition, its cohesion, the overlap between the member country position and the position of the coalition, and the official role of the country within the coalition. The following sections focus on the impact that Canada’s and Japan’s participation in such groups and coalitions has had on their bargaining power. How did the participation of Canada and Japan in such central negotiating groups and coalitions affect their bargaining power in the Uruguay Round and DDA negotiations?

4.5.1: Canada’s and Japan’s absence from the most central negotiating groups during the DDA.

The configuration of the most central negotiation groups at the top of the “pyramiding process” has changed from the Uruguay Round to the DDA. While Canada and Japan participated in the influential “Quad” throughout the Uruguay

Round, they do not form part of the most central negotiation groups of the DDA. The Quad represented the majority of world trade during its initial period of meetings at the end of the Tokyo round and already played a central role during these negotiations (IMF, 2009). The Quad then played a central and influential role during the Uruguay Round negotiations (Winham, 2010, p.136). This can be illustrated by its importance both for the start and the end of the Uruguay Round. Concerning its start, the trade ministers of the Quad members met to discuss possible contents of a new trade negotiation round in 1984. In contrast, other countries could only join the table three months after these meetings (Croome, 1999, p.15). The Quad is also considered to have played a “pivotal role” concerning the conclusion of the round (Cohn, 2002, p.211). This is demonstrated by its announcement of an important market access agreement at the G7 economic summit in Tokyo in July 1993 (Stewart, 1999, p.427, Cohn, 2002, p.214, Ichiro, 2007, p.184).

The institutional design of this “club model” can be regarded as a form of plurilateralism within a multilateral institutional framework. The Quad of the GATT can be seen as an example of such a “hybrid environment”, which can be especially beneficial for middle-powers. It provides an institutional, rules-based environment that balances the power asymmetry compared to great powers. It also gives these middle powers an advantage over weaker states that do not participate in these groups and that suffer from “diplomatic transaction costs and information asymmetry”. Middle powers can use skills and expertise to legitimize their participation in such multilateral groups and thus profit from them (Bélanger, 2005, p.229). These elements illustrate the importance for the procedural power of a country of directly participating in the negotiations within these most exclusive groups,. Within the framework of this analysis, both Canada and Japan were able to increase their relative procedural power through their mere participation in the Quad. For example, Cohn refers to the importance of the Quad for discussing “issues in an informal and private setting” (Cohn, 2002, p.181). The fact itself that they were “at the table” within this most exclusive negotiation group and that they were able to make their opinions heard to the two most influential players in the informal setting of the Quad increased their procedural power. Furthermore, they were able to profit from the rules-based environment of the multilateral trade regime while participating in it.

Participation in the Quad also resulted in a relative advantage over non-participating countries through a gain of information. According to Cohn, the Quad also provided a “useful forum for presenting and developing new ideas” (Cohn, 2002, p.192). Similarly, it “explored possible solutions to specific problems in the negotiations” (Cohn, 2002, p.211). Within the framework of this analysis, both Canada and Japan were able to increase their procedural power in the negotiations as they profited from a relative information asymmetry over non-participating countries. In addition, their participation in the Quad contributed to an increase of their ideational power. Canada in particular was able to increase its ideational power by its ability to frame its participation as a source of legitimacy and to create a reputation as an “honest broker” in the negotiations. This factor of ideational power is analyzed further below.

During the DDA, both Canada and Japan were no longer able to profit from these advantages resulting from their participation in the Quad (Bélanger, 2005, p.231). The pyramidal decision-making structure with the most important negotiations only involving developed country groups such as the Quad does not exist anymore. An evolution of the decision-making structure resulted from the more active profile of new emerging markets such as Brazil and India. These emerging markets have now increased their technical competence and diplomatic skills. This became clear from their arrival as new members of the most central decision-making groups. They are proponents of detailed counter-proposals, for example in Cancun, and they have leading positions in coalitions such as the G20. In the Canadian example, the arrival of such new players shows that the “golden age of Canada’s relative advantage is on the wane” for technical competence and the capacity to build coalitions (Bélanger, 2005, p.232).

The pyramidal-decision making structure has been substituted by a more confrontational structure based on different “blocs”, for example the bloc of major developed countries and the bloc of emerging markets that take a leading role in the G20.³⁷ This change of the decision-making structure is also due to a new configuration of political interests. Interviewees emphasized that at the start of the

³⁷ Within this new decision-making structure, the US and EU remain an integral part of the most central decision-making groups such as the G-4 or the FIPs. As outlined below, they also remain an integral part of larger central groups such as the G-7 and participate actively in bargaining coalitions during the DDA.

DDA negotiations Brazilian president Lula pointed out that the populous south now has to fight against the rich north. In this context, the Cancun paper was criticized. Also because of such changing political interests, there is now more competition between the EU/US and Brazil as well as India (interview). As a result of this disturbance of the old balance of economic and political interests, the key negotiating groups, as well as the profiles of Canada and Japan in the negotiations, have changed. Canada is now linked to the US by NAFTA and thus has to adapt its interests more to the US (interview). Japan is involved in a competition for hegemony in Asia against China. Accordingly, foreign policy considerations have also contributed to the end of the Quad group.

However, both Canada and Japan continue to participate in larger central negotiation groups despite their inability to profit from participating in the most central negotiation groups during the DDA. After the creation of the WTO, the “informal multilateralism” that had served Canada during the GATT continued (Bélanger, 2005, p.232). The informal character of multilateral trade negotiations continued with the “Green Room” and “mini-ministerials” (Bélanger, 2005, p.230). Japan and Canada are an integral part of the “mini-ministerials” which are informal negotiation groups of ministers and senior officials that meet in member countries (Wolfe, 2004, p.38). The selective membership of these groups varies. However, “mini-ministerials” always include the original Quad countries (Wolfe, 2006, p.3). Similarly, both Canada and Japan are regular participants in the informal “senior officials” groups, which are negotiation groups of capital-based senior officials to discuss key issues.³⁸ Canada and Japan participate in key groups of the WTO services negotiations. They are both part of the “Enchilada group”. The chair of the services negotiations, Ambassador Fernando de Mateo of Mexico, convened this group of key WTO members for the issue of services for consultations and in order to take forward the negotiations (ICTSD, 2013). The “Enchilada group” includes the USA, EU, Japan, Canada, Brazil, India, China, South Africa, Pakistan, Philippines, Indonesia, Malaysia and Thailand (Third World Network, 2008).

³⁸ The selective membership of the “senior officials” groups varies. For example, regular participants in 2005 were Australia, Brazil, Canada, China, Egypt, Hong Kong, India, Japan, Kenya, Malaysia, South Africa, USA and Zambia. Regular participants in 2006 were the G-6 (Australia, Brazil, EU, India, Japan, US) in addition to Canada, Egypt, Malaysia and Norway.

Japan continues to participate in other central negotiation groups. For example, the “G-6” group was formed in 2005. It was composed of the “FIP” group and Japan, and was a central negotiation group with the aim of breaking the deadlock of the DDA negotiations. Japan participated in the G-7 group, which was a “friends of the chair” group formed by the Director-general during the July 2008 ministerial meeting. The G-7 was comprised of Australia, Brazil, China, EU, India, Japan and the USA. Its function was to serve as a negotiation group in order to close the gaps between negotiators at the Ministerial meeting. The group was unable to do so (Wolfe, 2009). Canada participated in other central negotiation groups. The “FIP plus” group was formed in 2005 and consisted of the “FIP” group and Canada, China, New Zealand, Switzerland as well as Argentina. Canada was a member of the “Oslo Group” or “non-G-6” group. The DDA was suspended in July 2006 because the G-6 was unable to agree. After that, the “non-G-6” was formed to find a solution (WTO, 2014d). The group included Norway, New Zealand, Kenya, Indonesia, Chile and Canada. Canada also plays an important role in a number of groups of the WTO services negotiations: it is the coordinator of the “Real Good Friends of GATS/Friends of Friends” group. It participates in plurilateral expert groups such as the Friends of Legal, Friends of Computer and Related Services, Friends of Telecommunications; Construction and Related Engineering, Friends of Environmental Service and Friends of Maritime Transport. Canada is the coordinator of the Friends of Architectural/Engineering/Integrated Engineering and Friends of Financial services expert groups (Wolfe, 2007, p.7). This illustrates that Canada remains a player in the DDA negotiations with a high level of technical expertise, and is in the influential position of being the coordinator of several groups.

Both Canada and Japan have lost relative procedural power owing to their inability to participate directly in the most central negotiation groups. Their relative advantage of information asymmetry, expertise and technical competence has decreased owing to the inability to participate in these groups. However, both Canada and Japan continue to participate in the larger central groups and maintain profiles of influential players and coordinators within them. The decrease in procedural power resulting from their absence in the most central groups has to be nuanced by their continuing active participation and influential profiles in the larger central groups.

4.5.2: Analysis of Canada's and Japan's profiles within different coalitions in the Uruguay Round.

This section presents an overview of the coalitions that Canada and Japan participated in during the Uruguay Round.³⁹ In a second part, the section analyses the impact of each of these coalitions on the bargaining power of Canada and Japan. As pointed out in Chapter 2, it is important to determine the overall influence of a negotiation coalition in order to identify the potential gain of bargaining power for the countries that participate in it. The overall economic power of a coalition is an important indicator for determining its influence. Accordingly, the combined economic market and population size represented by the negotiating coalitions that Japan and Canada participated in during the Uruguay Round are outlined in the Appendix as background information for the following analysis.

Table 16: Japan's participation in coalitions during the Uruguay Round.⁴⁰

Name of the group:	Function:	Membership:
APEC	Formed in 1989. Asia-Pacific Economic Cooperation Forum. Issues: General	Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States. Since 1991: Taiwan, China, Hong Kong. Since 1993: Mexico, Papua New Guinea. Since 1994: Chile
OECD	Founded in 1961. Organisation for Economic Co-operation and Development. Issues: General	Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

³⁹ The information shown in tables 16-19 is based on information on "Groups in the negotiations" provided by the WTO (WTO, 2014e).

⁴⁰ For this research an analysis of the effect of Canada's and Japan's participation in APEC and the OECD on their bargaining power has been included although these country groupings cannot be regarded as traditional bargaining coalitions in multilateral trade negotiations.

Table 17: Canada's participation in coalitions during the Uruguay Round.

Name of the group:	Function:	Membership:
APEC	As above	As above
Café au Lait/de la Paix group	Formed in 1983, the Café au Lait coalition played an important role in the formulation of the agenda of the Uruguay Round. After the start of the Uruguay Round the group was renamed as the de la Paix group.	Australia, New Zealand, Canada, Sweden, Finland, Iceland, Norway, Switzerland, Austria, Hungary, Czechoslovakia, Argentina, Chile, Colombia, Mexico, Peru, Uruguay, Hong Kong, Korea, Singapore, Pakistan, Zaire. ⁴¹
Cairns group	A coalition of agricultural exporting nations with the aim of increasing agricultural trade liberalization. Issues: Agriculture	Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Uruguay
OECD	As above	As above

APEC:

APEC was not conceived by its members as a forum to consciously work together to have an impact as a negotiation coalition on specific GATT negotiation issues (Interview). Yanai stresses that the “continuous pressure from APEC contributed” to conclude the Uruguay Round (Yanai, 2000, p.21). However, despite this general support for a successful conclusion of the Uruguay Round, APEC members have not made a conscious decision to have a common position as a negotiating coalition specifically for multilateral trade negotiations. With regard to the internal cohesion of APEC, there is a large diversity of opinions between developed and developing country members.

These factors described above already show that Canada and Japan were not able to increase their bargaining power in the Uruguay Round negotiations by participating in APEC. In order for a country to profit from a coalition, it has to have an overall profile and influence as a coalition within the negotiations. As APEC was not conceived as such a coalition, this shows that there was no specific influence as a coalition that Canada and Japan could potentially profit from. A coalition has to have a common position in order to allow its members to increase their bargaining power.

⁴¹ See: Paemen and Bensch, 1995, p.99.

As pointed out above, members of APEC did not have such a common position on specific issues. Within the framework of this analysis, this limits the potential gain in bargaining power for its participating countries. A country can also gain bargaining power through assuming an official role in a coalition. Funabashi points out that Japan's influence in APEC was only limited from 1989 to 1992 (Funabashi, 1995, p.192). In addition, it did not fulfil a leading role since 1993 (Funabashi, 1995, p.193). This shows that Japan assumed a passive profile in APEC during the Uruguay Round, which further prevented it from gaining bargaining power through its participation. As a result, neither Canada nor Japan gained bargaining power in the negotiations of the Uruguay Round through their participation in APEC.

Café au lait/de la Paix group.

The Café au lait group was a “bridge-building” coalition that was influential in the launch of the Uruguay Round. Being an issue-based coalition focusing on services and information exchange, it was able to profit from a high internal coherence which also increased its legitimacy (Narlikar, 2003, p.97). This factor illustrates that Canada was able to increase its procedural power in the negotiations merely through its participation in the coalition. The coalition was based on an extensive information exchange already in the preparation of the Uruguay Round. Narlikar states that “the external legitimacy that it enjoyed gave the Café au Lait group a much louder voice than could be justified simply in terms of economic or political weight” (Narlikar, 2003, p.102). The group was renamed as the de la Paix group after the start of the negotiations and was able “to exert strong and constructive influence on the progress of the Round” (Croome, 1999, pp.37-38). Deese illustrates the influence of the group by pointing out: “On March 11, 1993, the thirty-seven states of the De la Paix Group sent a letter appealing to President Clinton, to the presidents of the EC Council and Commission, and to Prime Minister Kiichi Miyazawa of Japan “to display leadership at the critical time and to give the Round the priority it so clearly deserves”” (Deese, 2008, p.117). A member country is able to further increase its gain in bargaining power from participating in a coalition, for example through assuming an official leadership or coordinator role within it. However, Canada did not have a clear leadership status within the Café au Lait/de la Paix group. Colombia and

Switzerland, accounting for the initial name of the group, had stronger positions (Narlikar, 2012, p.188). As a result, Canada was able to increase its bargaining power through its participation in the Café au lait/de la Paix group. This gain of bargaining power resulted mainly from information exchange and a gain in technical understanding, as well as through increased legitimacy.

Cairns group.

The Cairns group was an influential coalition in agriculture negotiations (Kleen, 2008, p.17). At the beginning of the Uruguay Round, it acted as an agenda-setting coalition that managed to include agriculture into the negotiating agenda. It then further developed into an influential issue-based negotiating coalition focusing on agriculture (Narlikar, 2003, p.131). The major goal of the Cairns group was to present a middle way between the opposed negotiating positions of the US and the EC on agriculture and to present proposals that would help them to bridge their differences (Narlikar, 2003, p.141-142).⁴² Through its activism and proposals, the Cairns group facilitated confidence-building between these two players. These factors already indicate that Canada was able to profit from an exchange of information and expertise through research and analysis simply by participating in the coalition. This is a first indicator of Canada's ability to increase its bargaining power by participating in the Cairns group.

In order to analyze the additional potential gain of bargaining power for Canada, the overall structural weight and influence of the Cairns group has to be determined. This provides the overall additional potential gain of bargaining power for Canada through its participation in the coalition. An important indicator for the influence of the Cairns group was its combined economic power (Higgott and Cooper, 1990, p.604). Tyers states that "a source of its influence is its economic size compared with

⁴² As Higgott and Cooper point out, the overall longer-term reforms which the group pursued concerning trade in agriculture were as follows: "(1) the reduction of existing tariffs and the conversion of non-tariff barriers into tariffs that will be progressively reduced; (2) the reduction of distorting internal support measures; (3) the phasing out of existing export subsidies and the prohibition of new ones; and (4) the special and differential treatment of LDCs in accordance with their individual development needs and also in recognition of the particular concerns of the net food-importing countries" (Higgott and Cooper, 1990, p.613).

the EC-12, Japan and the United States (the ‘big three’))” (Tyers, 1993, p.51). The group accounted “for about a quarter of global agricultural exports, about the same share as the big three combined. (...) On the import side (...) the Cairns group has about a tenth of world manufacturing imports. This is roughly the same as Japan’s share of world manufacturing exports” (Tyers, 1993, p.52). These factors illustrate that the Cairns group had as strong structural weight and was an influential player in the Uruguay Round negotiations. Within the framework of this analysis, this suggests a strong potential gain of additional bargaining for Canada, which depends on the additional indicators of internal cohesion, overlap of preferences and Canada’s official role within the coalition.

Concerning the internal cohesion of the coalition, each of its members “has a highly competitive export-oriented agricultural sector, with agricultural exports presenting from 18 percent to as high as 73 percent of total exports” (Higgot and Cooper, p.604). The coalition profited from a strong internal coordination under the leadership of Australia (Birkbeck and Harboud, 2011, pp.3-4). One pressure on the cohesion of the coalition was the need of some of its members to take into account the interests of the Food Importers Group (Higgot and Cooper, pp.617-618). Due especially to the interests of its supply-managed industries, Canada weakened the cohesion of the coalition (Higgot and Cooper, p.620, Tyers, 1993, p.51).⁴³ The results of a study by Costantini suggest a general divide within the Cairns group (Costantini, 2007).⁴⁴ The study suggests that only a small core group of countries shares a homogenous set of preferences, with Canada not being part of this core

⁴³ As a result, “while endorsing the Cairns agricultural proposal in GATT, Canada has also tabled its own proposal for liberalization” (Hamilton and Whalley, p.552). Also Stewart refers to a “partial split” of Canada from the Cairns group owing to its wish to maintain import quotas for products of supply-managed industries (Stewart, 1999, p.28). For example, Stewart states that this caused Canada “to break ranks with the Cairns group in November 1989” (Stewart, 1999, p.29). Furthermore, “Canada repeated its opposition to the proposed elimination of import quotas” also in later negotiations in 1993 (Stewart, 1999, p.30). This dissension between Canada and other members of the group can also be illustrated by its relationship with Australia, another influential player in the group. For example, when the “discussions got round to the restrictions on agricultural imports, as referred to in Article XI of the GATT, Canada and Australia found that they no longer had anything in common” (Paemen and Bensch, 1995, p.99).

⁴⁴ In her analysis, Costantini used a set of structural indicators in order to determine the “national ‘true’ (unobservable) preferences for the final negotiation outcome” of several countries. She then used cluster analysis in order to determine the “natural bargaining coalitions” that would emerge from the common preferences of individual countries. She compared these “natural bargaining coalitions” with the actual existing coalitions in order to analyse their internal coherence (Costantini, 2007).

group. An illustration of this internal divide is the 1988 mid-term ministerial meeting in Montreal, as members from South America showed their disagreement (Kleen, 2008, p.17). The overall cohesion of the Cairns group is thus limited.

The preferences of the coalition and the preferences of Canada do not fully overlap, which decreases the cohesion of the coalition. Within the framework of this analysis, these two factors limit Canada's ability to gain additional bargaining power. In order for a country to profit from a coalition, the coalition has to have a coherent position supported by its members with a high degree of cohesion. This is necessary in order to translate its overall economic weight into influence in the negotiations. In a next step, Canada's position needs to overlap with the overall position of the coalition. As pointed out above, this degree of overlap is only limited because of Canada's ambiguous position within the coalition.

An additional indicator is Canada's official role within the Cairns group. The role of being a coordinator or representative of a coalition can increase the ability of a country to gain bargaining power. Canada only had a limited ability to gain additional bargaining power through its official role within the coalition. As mentioned above, while both Australia and Canada competed for leadership status in the coalition, Australia was the "mentor, leader, and conciliator" of the Cairns group (Narlikar, 2003, p.140, Higgot and Cooper, p.606). Also interviewees pointed out that Australia was the leader of the Cairns group (interview).

Overall, Canada was able to gain bargaining power through its participation in the Cairns group. This gain was reduced by the limited overlap between the preferences of the coalition and Canada and because Canada was unable to profit from a clear status of leadership in the coalition. However, the Cairns group was a very influential coalition during the Uruguay Round (Higgot and Cooper, p.625, Tussie and Stancanelli, 2006, p.8). The achievement of the Cairns group in the Uruguay Round was not to bridge the differences between these two members completely, but to prevent both of them coming to an agreement without taking into account the concerns of the coalition. The mere participation in this crucial negotiating coalition increased Canada's profile in the Uruguay Round. Despite limits in the internal cohesion of the Cairns group, the coalition was highly influential. And despite the

limited overlap of the overall position of Canada with the position of the coalition, Canada's participation in the coalition did increase its bargaining power and allowed it to display "middle-power leadership" (Narlikar, 2003, p.131).

OECD.

The OECD cannot be regarded as a negotiation coalition with a clear and common bargaining position on specific negotiation issues within the multilateral trading system. The OECD rather takes the form of a forum in which policy is formulated for its member countries. Furthermore, it can be considered as an epistemic community which can influence multilateral trade negotiations through policy-specific research and expertise. For example, the OECD was influential in providing the conceptual framework for trade in services negotiations during the Uruguay Round negotiations (Heydon, 2011, p.233). While the OECD was influential in providing a framework for the negotiations, actual negotiations on services took place in the GATT. The OECD is thus an actor focusing on the "setting of norms and standards" while relying on "the quality of its ideas and information – that is, on soft governance (...)" (Heydon, 2011, p.241). As a result, Canada and Japan were able to profit from an information exchange and the exchange of policy-specific research and expertise. However, neither Canada nor Japan increased their bargaining power in the Uruguay Round negotiations through their membership of the OECD beyond this exchange of information and expertise. This reflects the lack of influence of the OECD as a clear negotiating coalition without specific positions on the issues of the negotiations, thus preventing Canada and Japan to profit from it and to increase their bargaining power.

Japan was also in a group of newly industrialized countries that had common interests both in non-agricultural market access negotiations and rules-based negotiation issues including anti-dumping measures. Other members of this group were mainly ASEAN members such as Malaysia, Singapore, Indonesia and Hong Kong. On anti-dumping, for example, this group had a shared interest of protecting their export interests and to strengthen the rules here. As a result of these shared interests, the members of the group often actively supported Japan's proposals in the

negotiations. This is outlined in more detail in Chapter 5. The shared preference of the group in market access-based negotiations was to resist tariffication. The group thus did have a high degree of internal cohesion. However, it never had the status of an official negotiation coalition and never emerged in the negotiations as a coalition with an official name promoting a shared position of its members. The other countries also did not submit official shared position papers together with those of Japan. This already indicates that the overall influence of this group of countries was only limited, reducing Japan's ability to improve its bargaining power through its participation in it. An important indicator for the ability of Japan to profit from its participation in the group is its official role within the group. Singapore was considered to be the leader of this group of countries. As a result of this limited overall influence as an official negotiation coalition and the lacking leadership status, the gain of bargaining power for Japan resulting from being a member of the group is reduced (interview).

4.5.3: Analysis of Canada's and Japan's profiles within coalitions in the DDA.

This section analyzes Canada's and Japan's participation in different coalitions during the DDA. As in the previous section, an overview of their participation in the different coalitions is provided. In a second part, the section analyses the impact of these coalitions on the bargaining power of Canada and Japan. Again, the combined economic market size and the size of the population represented by these negotiating coalitions are outlined in the Appendix as background information for this analysis.

Table 18: Canada's participation in coalitions during the DDA.⁴⁵

Name of the group:	Function:	Membership:
APEC	Asia-Pacific Economic Cooperation Forum. Issues: General	Australia, Brunei Darussalam, Canada, Chile, China, Chinese Taipei, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Singapore, Thailand, United States, Vietnam, Russian Federation (WTO member since 2012)
Cairns group	As above	As above
Colorado group	An informal friend group promoting a WTO agreement on trade facilitation. Issues: Trade facilitation	The core group of the Colorado coalition consists of: Australia, Canada, Chile, EU, Hong Kong, Israel, Japan, New Zealand, Singapore, Switzerland and the United States. ⁴⁶
Friends of Ambition (non-agricultural market access)	Seeking to maximize tariff reductions and achieve real market access in non-agricultural market access negotiations. Issues: non-agricultural market access	Australia, Canada, EU, Japan, New Zealand, Norway, Switzerland, United States
Friends of Environmental Goods	Proponents of environmental goods liberalization	Canada, EU, Japan, Korea, New Zealand, Norway, Chinese Taipei, Switzerland, United States
Joint Proposal group	A group active in the TRIPS negotiations on geographical indications (GIs) ⁴⁷ . On the negotiation issue of the multilateral register for wines and spirits, the group proposes a database that is entirely voluntary Issues: TRIPS GI register	In 2002: Argentina, Australia, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Japan, Namibia, New Zealand, Philippines, Chinese Taipei, US. In 2004 reduced to: Argentina, Australia, Canada, Chile, Ecuador, El Salvador, New Zealand, US. Since 2005 joined by:

⁴⁵ Tables 18 and 19 are based on information on groups in the DDA negotiations provided by the WTO web page, available at: http://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm

⁴⁶ WTO, 2013b. Glossary. [online] Available at: <https://etraining.wto.org/Course/glossary.asp?lang=1&name=cd>

⁴⁷ "A product's quality, reputation or other characteristics can be determined by where it comes from. Geographical indications are place names (in some countries also words associated with a place) used to identify products that come from these places and have these characteristics (for example, "Champagne", "Tequila" or "Roquefort")." (WTO, 2013g)

		Dominican Republic, Honduras, Mexico, Chinese Taipei. Since 2008 joined by: Japan, Costa Rica, Guatemala, Nicaragua, Korea, Paraguay. Since 2011 joined by: Israel, South Africa. ⁴⁸
OECD	Organisation for Economic Co-operation and Development. Issues: General	Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, South Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States. Since 2010: Chile, Estonia, Israel, Slovenia.

Table 19: Japan's participation in coalitions during the DDA.

Name of the group:	Function:	Membership:
APEC	As above	As above
Colorado group	As above	As above
Friends of Anti-dumping Negotiations (FANs)	Formed in October 2000. Coalition seeking more disciplines on the use of anti-dumping measures Issues: Rules (anti-dumping)	Brazil, Chile, Colombia, Costa Rica, Hong Kong, Israel, Japan, Korea, Mexico, Norway, Singapore, Switzerland, Chinese Taipei, Thailand, Turkey
Friends of Ambition (non-agricultural market access)	As above	As above
Friends of Environmental Goods	As above	As above
G-10	Formed in 2003. Coalition of countries lobbying for high levels of domestic support and protection concerning their agricultural markets. The group promotes the concept of multi-functionality. Agriculture should be treated as special due to non-trade concerns. Issues: Agriculture	Bulgaria, Chinese Taipei, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Norway, Switzerland
Joint Proposal group	As above	As above
OECD	As above	As above

⁴⁸ See: (TN/IP/W/5) (WTO, 2002c), (TN/IP/W/9) (WTO, 2004a), (TN/IP/W/10) (WTO, 2005a), (TN/IP/W/10/Rev.1) (WTO, 2008b), (TN/IP/W/10/Rev.4) (WTO, 2011f).

APEC.

APEC played a role of supporting overall progress in the DDA negotiations. For example, it contributed to the resumption of multilateral trade negotiations in September 2007 (Osakwe, 2008, p.17). However, as was its role in the Uruguay Round, APEC was not conceived by its members as a negotiation coalition with the aim of having a specific impact on individual negotiation issues in the DDA (interview). As APEC did not have a profile of a clear negotiating coalition, it did not exert an overall influence which Canada and Japan could potentially profit from. This prevented both Canada and Japan from increasing their bargaining power through their participation. Furthermore, the degree of unity and cohesion within a coalition is important for its overall influence. In APEC, a broad range of opinions especially between its developed and developing country members persisted during the DDA (interview). This also prevented Canada and Japan from increasing their bargaining power. As a result, both Canada and Japan were unable to gain bargaining power in the DDA negotiations through their participation in APEC.

Cairns group.

The overall influence of the Cairns group has decreased from the Uruguay Round to the DDA (Costantini et al., 2007, p.876). The fact that its developing country members also joined other coalitions is a reason for this decline in influence (Kleen, 2008, p.17, Rolland, 2007, p.504). The most important example is the G-20, which represented the agricultural preferences of many Cairns group members in a more prominent way than the Cairns group did.⁴⁹ The profile of the Cairns group was significantly weakened, as large parts of its membership were now represented by a

⁴⁹ The G-20 group emerged after the signing of the Brasilia Declaration by Brazil, India and South Africa in June 2003. The formation of the G-20 group was a reaction to the EU-US text on agriculture: "Cairns group members had hoped that the US would support their position. Similarly, countries with a more defensive interest in agriculture had hoped that the EU would back their positions. Developing countries from both sets of interests came together when they realized that the EU and the US had joined forces and come up with a text that was highly unsatisfactory" (Narlikar and Tussie, 2003, p.9). The G-20 group attracted a large number of the membership of the Cairns group. Furthermore, the G-20 managed to represent their interests, despite pressure from the US and EC to break the coalition and despite having members with different preferences within the group: "The main success of the G20 then was balancing the opposed interests of its members. This was achieved by developing a blended formula on market access – which included the preferences of both, food net-importer countries and big agricultural exporters" (Priour and Serrano, 2006, p.5).

more prominent and highly influential defensive coalition. Another reason for the constraints of the coalition was the decreased support from the US (Narlikar, 2003, p.190). The diminished profile of the Cairns group can be illustrated by the only “unspectacular” outcome of the Doha Declaration for this coalition (Narlikar, 2003, p.190).⁵⁰ The potential gain that a country can profit from through its participation in a coalition depends on the overall influence that the coalition exerts in the negotiations. Within the framework of this analysis, the declining profile of the Cairns group during the DDA relatively reduces the bargaining power of Canada, as the potential gain of such power as a member of the coalition is lower than it was during the Uruguay Round.

Other important factors accounting for the gain of bargaining power of a country by participating in a coalition are the overlap of preferences with the coalition and the official role of the country within it. The position of Canada within the Cairns group continues to be affected by the political influence of competing domestic interest groups during the DDA. As a result, the isolating behaviour of Canada within the Cairns group continued throughout the DDA. As Wolfe points out, “it was awkward in April 2007 when Canada could join its Cairns group colleagues in submitting a non-paper on tropical and alternative products, but could not sign on to the submission on sensitive products” (Wolfe, 2007, p.194). This continuing ambiguous negotiating position of Canada has contributed to decreasing Canada’s legitimacy. This has affected its profile within the coalition and further increased its inability to assume a clear leadership position within the coalition.

Canada’s gain of bargaining power through its participation in the Cairns group has decreased from the Uruguay Round to the DDA. During the DDA, the limited overlap between the preferences of Canada and the coalition continues. Also the limited ability to act as the clear leader of the coalition persists. Moreover, the diminished influence of the Cairns group in the DDA reduces the overall potential bargaining power that Canada can gain through its participation in the coalition. Furthermore, the continuing ambiguous profile of Canada in agricultural negotiations has decreased its legitimacy, further affecting its profile within the coalition.

⁵⁰ For example, concerning “commitments to improvements of market access, reductions of export subsidies, and reductions in trade-distorting domestic support” (Narlikar, 2003, p.190).

Colorado group.

The Colorado group promotes a WTO agreement on trade facilitation. The group emerged during the period between the Doha Declaration and the Cancun Ministerial conference, in the context of the launch of negotiations on the Singapore issue of trade facilitation (Priya, 2007, p.3). The Colorado group was opposed to the Core group⁵¹, formed by developing countries. The Core group was against the launch of negotiations on trade facilitation, but negotiations on trade facilitation were launched in July 2004.

Despite this success, the influence of the Colorado group as a negotiation coalition is only limited, according to interviewees. After achieving its major goal of introducing trade facilitation on the negotiating agenda, the Colorado group worked mainly as an informal coordination group for its members, especially between the EU and the US. The EU and US use the group to coordinate deals between each other, for example concerning the EU's interests on the issue of fees and charges or the interests of the US related to its *ad valorem* legislation (interview). The group is, however, still active in the negotiations. For example, after the Hong Kong Ministerial, it promoted a negotiation protocol (Brünjes, 2008, p.157). Within the framework of this analysis, the potential gain of bargaining power that a country can profit from, beyond an exchange of information and gain in expertise, depends on the overall influence of the coalition in the negotiations. The group's influence as a negotiation coalition decreased after the launch of negotiations on trade facilitation. It was used especially by the EU and US for bilateral coordination. As a result, the gain of bargaining power for Canada and Japan through their participation in the Colorado group is only limited.

⁵¹ "The Core Group members included Bangladesh, Botswana, China, Cuba, Egypt, India, Indonesia, Jamaica, Kenya, Malaysia, Nigeria, Philippines, Tanzania, Zambia, Zimbabwe, Uganda and Venezuela. China left the Core Group during the period after the Cancun Ministerial Conference" (Priya, 2007, p.11).

FANs.

An influential coalition during the anti-dumping negotiations of the DDA is the “Friends of Anti-Dumping Negotiations” (FANs) coalition. The FANs coalition was formed in October 2000 with the objective to oppose an abuse of anti-dumping measures (Kazeki, 2010, p.931, p.935). Japan considers itself to be a core member of the coalition, representing its interests on issues such as zeroing⁵², sunset or public interest, and it even had the role of the coordinator of the FANs during the DDA negotiations (Kazeki, 2010, p.931).

An important point is that China is not a member of the FANs. This illustrates that even a member which is much more intensively targeted by anti-dumping measures than Japan does not fully support the coalition’s position of further disciplining anti-dumping measures. It means that one of the major emerging markets and major economies is not a member of the coalition, which is a general limit of the coalition’s influence. Furthermore, the coalition has been “disintegrating” throughout the DDA (interview). For example, since April 2004 Brazil’s continuous support of the FANs coalition’s proposals stopped. This end of the support by Brazil started with the FANs proposal TN/RL/W/150 (WTO, 2004b) on determination of normal value.⁵³ According to the framework of this analysis, a coalition has to have a high degree of cohesion in order to be influential in the negotiations. The fact that the FANs have been “disintegrating” shows that its degree of cohesion has deteriorated throughout the DDA. Although the FANs have long been a very influential coalition in the anti-dumping negotiations, these developments illustrate that their negotiating position as a whole has been weakened. This limits the potential gain of bargaining power for Japan as a member of this coalition.

⁵² The WTO defines zeroing as follows: “An investigating authority usually calculates the dumping margin by getting the average of the differences between the export prices and the home market prices of the product in question. When it chooses to disregard or put a value of zero on instances when the export price is higher than the home market price, the practice is called “zeroing”. Critics claim this practice artificially inflates dumping margins” (WTO, 2013g).

⁵³ All in all, from 6th of May 2003 until 17th of January 2011, the FANs group submitted 61 proposals or revisions of proposals concerning anti-dumping in the negotiation group on rules. Out of these, Brazil supported all of the 18 FANs group’s proposals on anti-dumping negotiations from 6th of May 2003 until March 2004. However, Brazil did not co-sponsor 17 of the remaining 43 proposals or revisions of proposals circulated on behalf of the FANs group from April 2004 onwards (WTO, 2013f). Given the crucial and influential profile of Brazil as one of the major players in the DDA, it becomes clear that this development has weakened the FANs negotiating position.

Another point for the analysis of Japan's gain of bargaining power through its membership in the FANs is the overlap between Japan's preferences and the negotiating position of the coalition. The US and Japan can be considered to be the extremes of the negotiations on anti-dumping. Thus, the Japanese position is much stricter than the positions of the other FANs members.⁵⁴ The forthright position of Japan in anti-dumping negotiations is illustrated by a number of proposals that Japan published without support of the other members of the FANs coalition.⁵⁵ The FANs did not support these proposals for a number of reasons. For example, the US lost a dispute over the practice of zeroing. Japan has pushed strengthening the rules on zeroing within the negotiations on anti-dumping. However, it also pushed on this issue through the dispute settlement mechanism and has been successful in the dispute DS322 against the US (WTO, 2014f).⁵⁶ Despite this decision by the Appellate body, Japanese negotiators still continue to promote the issue of zeroing in anti-dumping negotiations. This is mainly because the US did not implement the necessary changes for a long time (interview). Japan also keeps addressing this issue as the US is still negotiating for a change of WTO law in order to legalize the practice of zeroing.⁵⁷ However, so far this negotiating stance of the US has "little or

⁵⁴ This becomes clear in a position paper published by Keidanren in May 2004, which clearly states that "Nippon Keidanren shares the same concerns as those of interested Members including Japan, with regard to all items presented in the joint papers (...)" (Keidanren, 2004). However, the paper continues that the position of Nippon Keidanren goes beyond that, as it "also calls for discussion on the following items, which are not covered in the joint paper of interested Members: (a) material retardation of the establishment of a domestic industry; (b) timing of application of provisional measures; and (c) clarification of rules concerning the relationship with safeguard measure" (Keidanren, 2004).

⁵⁵ For example, Japan published the proposal TN/RL/GEN/126 on the prohibition of zeroing alone on April 24th 2006 (WTO, 2006a). Also the proposal TN/RL/GEN/104 published on March 6th 2006 on sunset was only circulated by Japan (WTO, 2006b). Similarly, the proposal N/RL/W/220 on sunset was published by Japan alone on March 12th 2008 (WTO, 2008c).

⁵⁶ Concerning this dispute, the request for consultations by Japan as complainant was received in November 2004. Japan issued the request with the aim of, among other objectives, prohibiting "the 'zeroing' practice by which the United States Department of Commerce ('USDOC') treats transactions with negative dumping margins as having margins equal to zero in determining weighted average dumping margins in anti-dumping investigations, administrative reviews, and sunset reviews, and also in assessing the final anti-dumping duty liability on entries upon liquidation" (WT/DS322/1., November 2004) (WTO, 2004c). After Japan appealed the initial panel report in October 2006, the Appellate Body circulated a report in January 2007 (WTO, 2014f). The Appellate Body report indicated that the US, by maintaining zeroing procedures, acted inconsistently with various articles of the anti-dumping agreement. MOFA immediately stated that "the zeroing procedures adopted by the US in any type of anti-dumping procedures violate its obligations under the WTO agreement. The Appellate Body makes it clear that restrictions on international trade by impermissible anti-dumping duty imposition cannot be tolerated, and Japan highly values the Report as it will serve to maintain and promote the rule-based multilateral trading system" (MOFA, 2007).

⁵⁷ For example, after the decision of the Appellate Body effectively prohibiting the practice of zeroing, the US negotiators issued a proposal to amend Articles 2.4 and 9.3 in order to legalize the practice of zeroing in June 2007 (TN/RL/GEN/147) (WTO, 2007).

no support” among other WTO members, illustrating that the US has only a very limited chance of subsequently legalizing and thus continuing to use the practice of zeroing (Cho, 2012).⁵⁸

According to senior WTO secretariat officials, the loss of the dispute by the US can be considered equivalent to a concession by many members as it cannot continue the practice. The continuing radical stand of Japan on this issue is therefore not seen as a supportable position by many WTO members (interview). There is a shared belief among other members of the FANs that being able to claim a success on zeroing is sufficient (interview). However, Japan continues to make claims on other issues such as sunset reviews against the US. Having lost zeroing, the US “will not allow tighter disciplines on anti-dumping” and will be “more cautious” on making further concessions (interview). By claiming additional concessions from the US, Japan is taking a very radical position in the negotiations. As a result, the profile of the Japanese position in anti-dumping negotiations can be characterized as extreme, making it “not too supportable” by other members of the coalition (interview). The belief that the Japanese position is too extreme is shared by members of the WTO secretariat, who even pointed out that “it is not certain that Japan is acting in its best national interest” by adopting this extreme position on anti-dumping (interview).

The factors mentioned above limit Japan’s ability to increase its bargaining power. As pointed out in the second chapter, the ability of a country to increase its bargaining power by participating in a coalition depends on different factors. An example is the overall influence of the coalition. This determines the potential gain of bargaining power for a participating country beyond information exchange and gain in expertise. Here, it can be stated that influential players such as China, which is the major target of anti-dumping investigations, are absent from the coalition. The coalition’s internal cohesion is crucial as well. The FANs coalition has been “disintegrating” and crucial members, such as Brazil, have not shown constant support of the coalition during the anti-dumping negotiations of the DDA. The

⁵⁸ The inability of the US to continue using the practice of zeroing seems to be accepted more and more by the US itself. On February 14, 2012, the USDOC “announced a policy change to generally end the practice of “zeroing” in anti-dumping cases“. According to commentators, this policy change eliminates the ability of the US to use the practice of zeroing, leaving a potential future loophole only in the area of targeted dumping, which is not yet governed by WTO rules (Cho, 2012).

degree to which the bottom-line consensus of the coalition reflects the preferences of the country is important. The radical position of Japan and the low support of its position in the FANs limit Japan's ability to use the coalition for increasing its bargaining power. Japan is isolated when it comes to several of its main preferences. This also decreases Japan's ability to profit from its official coordinator position within the coalition. As a result, the gain in bargaining power for Japan through its participation in the FANs coalition can only be considered to be very limited.

Friends of Ambition.

The Friends of Ambition coalition was formed by a number of developed countries in the period before the July 2004 Ministerial Meeting. Their aim was to support the Derbez text⁵⁹ in the context of non-agricultural market access negotiations. The Derbez text was criticized by the NAMA-11 coalition composed of a number of developing countries (Izmail, 2005, p.70).⁶⁰ As a result, the Friends of Ambition were opposed to the NAMA-11 coalition (Law offices of Stewart and Stewart, 2008, p.8).

The overall influence of the group as a negotiation coalition is limited. As interviewees point out, the group was not formed with the rationality of creating a proactive and institutionalized negotiation coalition. It was merely an informal group to coordinate a "counter-balance" in reaction to the NAMA-11 coalition (interview). According to the framework of this analysis, the degree of the internal cohesion of a coalition is important for its overall influence in the negotiations. The cohesion of the Friends of Ambition is low, which is illustrated by the members Hong Kong, China and Singapore moving towards the position of the "middle ground group" during the negotiations (interview).⁶¹ As Wolfe points out, the Friends of Ambition "do not even see themselves as a "group", let alone as a "coalition" (Wolfe, 2006, p.12).

⁵⁹ "Derbez text" is the unofficial name for a Draft Cancún Ministerial text which was circulated on 13 September 2003 (WTO, 2003b).

⁶⁰ The NAMA-11 coalition is comprised of Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia, Venezuela (WTO, 2014e).

⁶¹ The "middle ground group" consists of Chile, Colombia, Costa Rica, Hong Kong, Mexico, Peru, Singapore and Thailand (WTO, 2012, p.28). It is a coalition promoting a compromise position between the NAMA-11 coalition and the Friends of Ambition.

These factors limit the overall influence of the Friends of Ambition in the negotiations and thus limit the potential gain in bargaining power of both Canada and Japan as members. The official role of a member country in the coalition is important and the Friends of Ambition are led by New Zealand. New Zealand presented the position of the group in the non-agricultural market access negotiations in 2006 (Izmail, 2006, p.13). Both Canada and Japan were unable to profit from an official role as the coordinator or representative of the Friends of Ambition during the DDA. As a result of the limited influence of the group, its low cohesion and their lack of status as a coordinator or representative, neither Canada nor Japan can gain bargaining power through their participation in it.

Friends of Environmental Goods.

The “Friends of Environmental Goods” coalition was formed in 2007 and is a developed country coalition in favour of liberalization of trade in environmental goods and services. The coalition is opposed to a number of developing countries on the issue of the modalities of liberalisation. It promotes the “list approach”⁶² and proposed a list of 153 products of climate friendly goods (ICTSD, 2008, p.6). This replaced a larger list of more than 400 products that the coalition had proposed in earlier negotiations⁶³ (ICTSD, 2007, p.4).

As pointed out in Chapter 2, a country is only able to profit from the overall influence of a coalition and its economic power if its preferences are similar to that of the coalition. The overlap between the position of the coalition and the preferences of Japan is limited. At the time of the formation of the coalition, the products proposed by Japan for the list of environmental goods were the most difficult to

⁶² The list approach “consists of identifying and submitting lists of what members regard as environmental goods of interest for accelerated and permanent liberalization by reducing or eliminating bound tariffs” (ICTSD, 2008, p.5). Alternative proposals are the “project approach” of India and Argentina as well as Brazil’s “request and offer” approach (ICTSD, 2009b, p.5-6). The “project approach” is criticized by the “Friends” group “for failing to offer predictable and permanent liberalization” (Zhang, 2011, p.7). One of the main criticisms of the list approach is its “lack of adequate attention to technology transfer” (ICTSD, 2009b, p.6). Furthermore, a “combined approach” as well as a “hybrid approach” have been proposed by other members trying to merge the different approaches in 2011. However, negotiations are still ongoing and, as a result, “have for now floundered on the definition of environmental goods” (Josling, 2012, p.664).

⁶³ See: TN/TE/W/63 (WTO, 2013f).

reconcile with the products proposed by other members. Japan proposed a number of high technology products such as CDs, water efficient washing machines and hybrid cars as environmental goods. This was difficult to accept for other members of the coalition. As a result, Japan eventually dropped its proposal to incorporate such goods into the list. However, Japan then submitted a separate proposal independently from the coalition which included these products in 2009, 2010 and 2011.⁶⁴ This illustrates the low degree of overlap between the overall position of the coalition and Japan's preferences. Subsequently, Japan was still an interested actor in the coalition, but did not play a particularly important role (interview). Within the framework of this analysis, this factor limits Japan's ability to increase its bargaining power through participating in the coalition.

The official position of a country within the coalition is also an important factor. New Zealand was the most active leader of the coalition, especially at the time immediately after its formation. Canada and Japan did not play leading roles in the coalition, depriving them from any leadership status. This further prevents them from increasing their bargaining power as members of the coalition. Given the limited progress of the negotiations and the lacking leadership role of both Canada and Japan, the gain of bargaining power for both countries through their participation in the coalition is limited. This gain is especially limited for Japan because of the low degree of overlap between its preferences and the overall position of the coalition.

Joint Proposal group.

The Joint proposal group is active in the negotiations on TRIPS concerning GIs and focuses on the negotiation issue of the multilateral register for wines and spirits. It proposes a voluntary database for registering GIs. Countries that do not participate would be encouraged to consult the database, but consultation would not be

⁶⁴ See: TN/TE/W/75 submitted in November 2009 (WTO, 2009b), TN/TE/W/75/Add.1 submitted in February 2010 (WTO, 2010b) and TN/TE/W/75/Add.2 submitted in January 2011 (WTO, 2011g).

compulsory. This proposal represents one of the two “main lines of argument” in the negotiations, which illustrates the influence of the group (WTO, 2014g).⁶⁵

Since the formation of the Joint Proposal group in 2002, its membership has fluctuated considerably, suggesting a low cohesion of the group. For example, nine members of the original group (Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Japan, Namibia, Philippines and Chinese Taipei) decided to not support the group’s proposal in 2004 (WTO, 2014h). This low cohesion of the coalition limits its overall influence in the negotiations. The overlap between a country’s preferences and the position of the coalition matters. The fact that Japan stopped sponsoring the group’s proposals after 2004 illustrates little overlap between the group’s position and Japan’s preferences. Japan did, however, decide to join the group again in 2008 (WTO, 2014h). This low level of cohesion as well as the fact that Japan left the group for several years during the negotiations suggest a limited gain of bargaining power for Canada and especially Japan through their participation. No decision has yet been made on the three proposals on the multilateral register for wines and spirits (WTO, 2014i).

G-10.

The G-10 is considered to be an effective issue-based coalition focusing on agriculture. It is comprised of agricultural importers with a defensive profile (Mercurio, 2007, p.8, ICTSD, 2009, p.2). With regard to its overall influence in the DDA, note that it had to make substantial concessions to the G-20 on sensitive products in the market access negotiations of the 2004 framework agreement (Kanth, 2004). However, overall, the G-10 is an influential player in the negotiations on agriculture (Hanrahan and Schnepf, 2006, p.6, Birkbeck and Harboud, 2011, p.12). For example, the group represents its own position on the selection of sensitive products, the expansion of the tariff rate quota, safeguards and the tariff reduction formula (Gifford, 2006). Grant refers to the G-10 as “well resourced, influential, and sometimes intransigent” (Grant, 2007, p.184).

⁶⁵ An alternative position, initially based on an EU proposal, is taken by over 100 WTO members that support a system applying to all members. Furthermore, an additional compromise position was circulated by Hong Kong (WTO, 2014g).

Within the framework of this analysis, an additional factor to be analyzed about the influence of the G-10 is the overall cohesion of the coalition. Costantini points out in her cluster analysis that at least the four main group members (Japan, Korea, Switzerland and Norway) can be found in the same cluster. However, the cluster is not as compact as that in other groups, indicating an only limited degree of homogeneity of these countries' structural features (Costantini et al., 2007, p.876, p.883). This overall influential profile of the G-10 and relatively high degree of cohesion already suggest a high potential for gain in bargaining power for Japan as a member of the coalition.

A full analysis of Japan's gain of bargaining power requires a measurement of the degree of overlap between its preferences and the overall negotiating position of the G-10. Unlike other countries, such as the US and the EU, Japan maintains its focus on tariffs as the main method of protecting its agricultural market (Yamashita, 2008). Japan has an especially high level of tariff protection in the agricultural sector. For example, tariffs of more than 700% protect its rice staple food. The highest tariff reaches 1500% (ICTSD, 2009, p.9, Kyodo News, 2005). The most important objective for Japan in WTO agricultural negotiations is to maintain these high tariff levels (Yamashita, 2008, p.8). On this issue, Japan has a similar position to other core participants of the G-10 coalition. On the issue of a 100% tariff cap, Japan, Norway and Switzerland demand that 2% of the tariff lines should be exempted (ICTSD, 2009, p.3). Japan requested that more than 10% of all tariff lines should be allowed for "sensitive products", but changed its position to demanding 8% during the Ministerial meeting in July 2008 (Yamashita, 2008, p.7).⁶⁶ It "unambiguously" stated that any lower figure would not be acceptable (ICTSD, 2009, p.3). This demand is radical when compared to the number of 4-5% supported by many other WTO members (Gifford, 2006, p.7). However, within the G-10, it is in line with the overall preferences of the group (Hanrahan and Schnepf, 2006, p.19). This strong overlap between the negotiating position of the G-10 and the preferences of Japan

⁶⁶ As Yamashita points out: "The tariff lines of agricultural products of Japanese concerns are 17 (rice), 20 (wheat), 47 (dairy products such as butter and skim milk powder), 56 (sugar), 8 (starch), 6 (miscellaneous beans), 2 (peanuts), 12 (barley), 1 (glucomannan or tubers of konnyaku), 2 (raw silk), 32 (pork), and 26 (beef). In sum, there are 229 tariff lines, or 17 percent of all tariff lines, that Japan would like to designate as sensitive" (Yamashita, 2008, p.15).

show that it is able to profit from a gain in bargaining power as a member of the G-10.

As pointed out in Chapter 2, the official position of a member country in a coalition can affect its ability to increase its bargaining power through participation. Although Japan is by far the largest market in it, the G-10 is led by Switzerland, depriving Japan of a clear leadership status (Wolfe, 2009, p.11). This was illustrated, when the Japanese agriculture minister reaffirmed close cooperation with India on the issue of agricultural trade liberalization in 2007. While doing so, he coordinated this step with Switzerland (JIJI Press, 2007). Japan cannot take additional profit from having a clear leadership status within the coalition or from being its clear representative or coordinator.

Overall, Japan is able to profit from its participation in the influential G-10 coalition. It is able to use it as a platform of additional support of its defensive preferences in the negotiations. This results from several indicators used in the theoretical framework of this thesis. Japan is by far the largest market within the coalition, which shows that Japan itself represents a large part of the economic power of the coalition. The core group of the G-10, including Japan, has a relatively high cohesion and similar preferences. For example, Japan, Norway and Switzerland have similar preferences (ICTSD, 2009, p.6). There is a strong overlap between the preferences of Japan and the overall negotiation position of the G-10 coalition. Within the framework of this analysis, these factors indicate that Japan is able to increase its bargaining power in the negotiations through participating in the G-10. This ability is only reduced by the lack of Japan's clear status of being the official coordinator or representative of the coalition.

OECD.

From the role of the OECD during the DDA, it cannot be regarded as a clear coalition in the negotiations. It can rather be considered as a forum for policy formulation and an epistemic community which can exert influence through research and expertise. As Heydon points out, the overall relative influence of its member

countries to set the agenda has decreased (Heydon, 2011, p.244). Secondly, as analyzed further below, the overall normative power of its members as well as of the OECD itself has decreased from the Uruguay Round to the DDA. The OECD still exerts influence as a forum for policy making on specific issues also during the DDA, for example on collaborating on the issue of aid for trade (interview). Japan and Canada are able to profit from the information exchange taking place in the OECD as a policy-making forum. However, neither Canada nor Japan can profit from a gain in bargaining power because of the OECD's profile as a mere forum for policy making. The OECD lacks influence as an official negotiating coalition with clear negotiating positions on the specific issues of the negotiations. Furthermore, the relative influence of the OECD's member countries and the relative normative power of the OECD have decreased from the Uruguay Round to the DDA.

Canada is also a member of the "middle group" in the anti-dumping negotiations of the DDA. This group emerged in 2005 and consists of countries heavily using anti-dumping measures and exporters. Members of the group include the EU, Brazil, New Zealand, Australia, Mexico and Turkey. It aims at being a middle-ground group promoting a compromise and facilitating bridge building. It tries to promote compromises between countries focusing on the interests of users of anti-dumping measures and those focusing on the interests of exporters. However, the group was only formed late in the negotiations and started with a profile of a "very informal group" (UNCTAD, 2006, p.53). The "middle group" did not have the profile of an official negotiating coalition promoting a clear position on the specific topics of the negotiations. These factors already decrease the overall influence of the group in the negotiations on anti-dumping. As a result of these factors, Canada's ability to profit from a gain in procedural power as a member of this group is only limited.

4.5.4: The overall impact of Canada's and Japan's profiles in coalitions and central negotiating groups on their bargaining power from the Uruguay Round to the DDA.

The section above analyzed Canada's and Japan's participation in central negotiation groups as well as their profiles in different negotiation coalitions in both the Uruguay Round and the DDA. What conclusions can be drawn concerning the impact of this

coalition activity and participation in central negotiation groups on their procedural power from the Uruguay Round to the DDA? First, neither Canada nor Japan participate in the most central negotiation groups during the DDA, while they were able to participate in the central Quad group during the Uruguay Round. This relatively weakened their procedural power in the DDA. They were no longer able to profit from information exchange, exclusive participation in these central negotiations and a gain in expertise. This loss of procedural power is especially important in the case of Canada. Due to its participation in the Quad, “Canada won a form of ‘insider’ or ‘core’ status within the GATT” which allowed it “to have an influence ‘above its weight’” (Bélanger, 2005, p.232).

Secondly, a number of differences in the coalition activity of Canada and Japan in both the Uruguay Round and DDA can be identified. The overall influence of bargaining coalitions that Canada participated in during the Uruguay Round has decreased during the DDA negotiations. This is true for the influential Cairns group. The Cairns group has been weakened by the emergence of the new G20 coalition. The continuing ambiguity of Canada’s negotiation position in agricultural negotiations reduced its ability to gain bargaining power from participating in the coalition. In addition, Canada was able to profit from the information exchange and gain in expertise from the Café au Lait/de la Paix group during the Uruguay Round. However, it is not able to profit from this coalition during the DDA. Canada was unable to profit from these coalitions during the DDA to the same degree as it was the case in the Uruguay Round. This shows that Canada relatively lost procedural power from the Uruguay Round to the DDA.

To what extent was Canada able to increase its bargaining power through participating in new negotiation coalitions? Canada was unable to profit from real gains in bargaining power through its participation in the Colorado group or Friends of Ambition. This is due to their profiles of internal coordination groups, rather than official negotiation coalitions. Owing to limited progress in the negotiations and a missing leadership status, the same is true for Canada’s participation in the Friends of Environmental Goods. Owing to the low level of internal cohesion, Canada was not able to profit from its participation in the Joint Proposal Group. Canada was unable to increase its bargaining power significantly through joining new negotiating

coalitions during the DDA. Accordingly, it was unable to counterbalance the relative loss of bargaining power resulting from its activity in old coalitions and its absence from the most central negotiation groups through its participation in new coalitions.

Japan's coalition activity during the Uruguay Round and DDA was different. During the Uruguay Round, Japan was largely focused on its position within the Quad and did not profit from substantial gains of bargaining power by participating in official negotiation coalitions. Like Canada, Japan was unable to profit from significant gains in bargaining power from its participation in APEC or the OECD, because of the lacking profiles of both APEC and OECD as official negotiation coalitions. During the Uruguay Round, Japan was a member of a group of newly-industrialized countries with shared interests in both market access and rules-based negotiation issues such as anti-dumping. However, because of the lack of status of this group as an official negotiation coalition and Japan's lack of leadership status within the group, its gain of bargaining power is only limited.

To what extent was Japan able to increase its bargaining power through participating in new coalitions during the DDA negotiations? Like Canada, Japan was unable to profit from significant gains in bargaining power through its participation in the Colorado group or Friends of Ambition, since their profiles were merely those of internal coordination groups. Japan was not able to gain bargaining power by participating in the Joint Proposal group. This is because of its low degree of cohesion and especially the limited overlap of Japan's preferences and the position of the coalition. This small overlap even resulted in Japan's leaving the coalition for several years. The same is true for Japan's participation in the Friends of Environmental Goods coalition. Concerning the FANs, Japan was not able to significantly increase its bargaining power by participating in it. This is due to the general "disintegration" of the coalition and the limited overlap between Japan's preferences and the position of the coalition. In contrast, Japan was able to increase its bargaining power through its participation in the G-10 coalition. This is the case because of its overall influential profile, its relatively high internal cohesion and the strong overlap between Japan's preferences and the coalition's position.

Thirdly, the overall loss of procedural power from the Uruguay Round to the DDA is relatively higher and more important for Canada than it is for Japan, for several reasons. Canada in particular was able to profit from its participation in the Quad during the Uruguay Round. It was also able to profit from its participation in influential negotiation coalitions during the Uruguay Round. These coalitions then lost influence in the DDA negotiations. Japan did not gain bargaining power through participating in official negotiation coalitions during the Uruguay Round in a similar way. Furthermore, Canada was unable to increase its bargaining power through participating in new negotiation coalitions, while Japan was able to profit from its influential position in the G-10 coalition during the DDA. Finally, Japan has a much stronger economic power than Canada and is thus relatively less dependent on gains in procedural power than it is the case for Canada.

4.6: Analysis of Canada's and Japan's ideational power during the Uruguay Round and DDA.

Barnett and Duval point out that compulsory power can also result from “symbolic or normative resources” (Barnett and Duvall, 2005, pp.14-15). The ideational power of a country can be determined by norms, their ability to frame ideas and by the logic of appropriateness in multilateral trade negotiations. How do these factors determine the bargaining power of Canada and Japan in both the Uruguay Round and DDA negotiations? First, norms and the logic of appropriateness have contributed to the changes of the institutional design of the GATT/WTO described above. Both Japan and Canada were able to profit from being members of the most central negotiation groups within the “club model” of the Uruguay Round. However, during the DDA, the importance of the norm of internal transparency of the decision-making processes has increased. The increasing importance of this norm is linked with the democracy challenge of the WTO, the legitimacy of the WTO and the perceived need to change the participation process, especially by developing countries (Smythe, 2007, pp.205-225). As Osakwe points out:

“significant and pre-eminent drivers of the negotiations, recovery from setbacks in the negotiations and progress towards conclusion can only be energized, not just by a few, or a group, but with the *involvement of the entire membership*. This has been characterised by Director-General Lamy as the ‘Geneva, bottom-up, transparent multilateral process’. (...) *All* regions and members have a role to play. Many developing countries still reel from their Uruguay round negotiating experience from which they concluded that they had signed on to agreements to which they were hardly involved and barely understood. They are determined that this will not reoccur” (Osakwe, 2008, p.21).

The norm of internal transparency has gained significance. Furthermore, large parts of the membership, especially developing countries, do not consider the old “club model” as an appropriate way of decision-making in the DDA (Blackhurst and Hartridge, 2005, p.458). This old “club model” refers especially to the prominent and influential role of the Quad and its members. As an interviewee stated, there is now a lot of “anxiety, distrust and mistrust concerning small, informal decision-making groups” among member countries in the DDA (interview). However, the decision-making model of the DDA continues to rely on central decision-making groups and informal negotiations. Accordingly, the new decision-making model could be regarded as a model including a new, larger club in which both Canada and Japan are members. The difference to the old “club model” is, however, that there is no group of four developed countries that are able to exert an influence through informal negotiations that is similar to the old Quad. In contrast, the new decision-making model involves central negotiation groups which are more transparent and composed of both developed and developing countries. Furthermore, larger and more transparent central negotiation groups composed of more than four or five countries also play a more important role in this new model. As a result, the norm of internal transparency has contributed to the end of a decision-making model that privileged especially Canada and Japan as members of the highly influential and exclusive Quad group and has thus affected their bargaining power. The logic of appropriateness and the norm of internal transparency have thus contributed to a decrease of Canada’s and Japan’s procedural power.

This old “club model” of decision-making did not only result in additional procedural power for Canada. Canada’s participation in the Quad also contributed to a reputation as an “honest broker” in the negotiations and thus increased its influence. As Hart points out: “Canada, trading on its status as a member of the Summit and the Quads, proved an indispensable link between the smaller countries and the big three and learned to play the ‘honest broker’ card with great skill (...)” (Hart, 1998, p.183). Also Winham refers to this role played by Canada and Wolfe states that Canada played a “middle ground role” in the Quad (Winham, 2010, p.133, Wolfe, 2009, p.14). Thus, Canada was able to increase its leverage in the negotiations through its reputation (Cooper, 1997, pp.76-77). Within the framework of this analysis, these factors illustrate that Canada was able to increase the legitimacy of its proposals in the negotiations through the participation in the Quad. This increased legitimacy resulted in a stronger ideational power for Canada in the Uruguay Round. During the DDA, however, the structure of the most central decision-making groups shifted. This removed Canada further from the most central negotiations. Canada has lost its ability to increase its legitimacy through participating in the Quad and has thus relatively lost ideational power. By contributing to the end of the old “club model”, the logic of appropriateness and the norm of internal transparency have reduced the ideational power of Canada through decreasing its ability to gain legitimacy from this decision-making model.

Secondly, norms of “fairness, equality and poverty reduction” have become more important during DDA negotiations (Smythe, 2007, p.218). This increased normative focus on the needs especially of developing countries is illustrated by the specific reference to development in the name of the DDA negotiation round. Concerning the importance of these norms, a first important point is the changing understanding of the idea of fairness among developing countries. Narlikar distinguished three phases in the evolution of fairness in multilateral trade negotiations. During the first phase, emphasis was laid by developing countries on equitable outcomes, resulting in a demand for preferential treatment. The second phase focused on “legitimacy and equity in process” in addition to the final results. However, in a third phase beginning after the Seattle Ministerial Conference in 1999, developing countries demanded a change of the decision-making process itself (Narlikar, 2006b, p.1017-

1022). Accordingly, the importance of the norm of fairness has increased in multilateral trade negotiations (Kapstein, 2005, 97, Wolfe, 2006, p.7).

The overall decline of the normative power of advanced industrialized countries can be illustrated by analyzing the profile of the OECD as an exporter of norms from the Uruguay Round negotiations to the DDA. As Heydon points out, the OECD is now less able to export norms, which is largely due to “NGO scaremongering” (Heydon, 2011, p.239). Overall, the OECD and its member countries have experienced a normative weakening from the Uruguay Round negotiations to the DDA. For example, “the promotion of market-based policies including, in the words of Secretary-General Angel Gurría, ‘more open trade as a gateway to progress’” can be considered as one of the shared values of the OECD (Heydon, 2011, p.244). However, especially for market access in non-agricultural market access negotiations, the position of many developing countries has “changed radically” as they have abandoned the idea of simply negotiating for absolute gains in market access. They are specifically demanding increasing gains compared with advanced industrialized countries. More developing countries are thus pursuing the norm of a necessary redress of imbalances between developing countries and advanced industrialized countries during the DDA negotiations (interview).

As a result, the overall ideational power of industrialized member countries of the OECD has decreased from the Uruguay Round to the DDA. In contrast, norms of fairness, development and poverty reduction increase the legitimacy of the claims of developing countries during the DDA. The resulting loss of ideational power is relevant for advanced industrialized countries in general and cannot be attributed to only Canada and Japan. As a result, the increased importance of these norms cannot be regarded to be a conditioning factor specifically of the overall bargaining power of Canada and Japan. It only affects Canada’s and Japan’s bargaining power in specific negotiations with developing countries. The impact of this loss of ideational power on the overall bargaining power of Canada and Japan can thus be considered to be only limited.

Thirdly, the ability of especially a number of developing country emerging markets to frame ideas has affected the relative bargaining power of Canada and Japan.

Especially since the start of the DDA, a number of developing countries have moved trade policy to an element of “high politics”. For example, the emerging markets Brazil and India have firmly integrated trade policy as an element to pursue their geopolitical foreign policy objectives (Bélanger, 2005, p.235-236). Both Brazil and India have developed a “grand strategy” aiming to create a reputation of being major global players able to change the existing power structure (Lima and Hirst, 2006, p.21, Cohen, 2001, p.52, Hurrell, 2006, p.2, Narlikar, 2006c, p.59). Their shared objective to obtain permanent seats in the United Nations Security Council illustrates this belief (Hurrell, 2006). Similarly, both Brazil and India play an active role in groups of emerging markets such as BRICs or IBSA. The nomination of Celso Amorim, who is considered to be a “geopolitician” in the WTO, as Brazilian foreign minister in 2003 can be seen as an illustration of this motivation (interview).

Brazil and India have created a self-image as developing countries and representatives of developing countries’ values (Hurrell, 2006, p.19, Lima and Hirst, 2006, p.27, Narlikar, 2006c, p.75). They have a high level of economic cooperation with other developing countries (Hurrell, 2006, p.14, Lima and Hirst, 2006, p.35). For example, the IBSA initiative by India, Brazil and South Africa focuses on South-South cooperation (Lima and Hirst, 2006, p.25). Their foreign policy has made strong reference to southern solidarity and can be considered to include elements of “Third Worldism”. India and Brazil have a long history of leading developing country coalitions in different organisations, such as the Non-Alignment Movement and Afro-Asian Unity in the UN General Assembly (Narlikar, 2006c, p.63). Other examples are the G10 of the GATT, the G77 of the United Nations Conference on Trade and Development (UNCTAD) or the Like-minded group (Narlikar, 2006c, pp.64-65). They have a history of abstaining from a strategy of bandwagoning in their relations with the developed “West”, especially the US (Hurrell, 2006, p.14, Lima and Hirst, 2006, p.33, Cohen, 2001, p.273).

Since its accession to the WTO in 2001, China has long refrained from pursuing a leadership role in the DDA (Karmakar, 2009, p.84). It did not propagate a change of the trading system on a systemic level (Lim and Wang, 2010, p.1318, p.1327). In contrast, China did not pursue a profile of a “troublemaker” and took a “back seat” in the negotiations (Lim and Wang, 2010, p.1310). For example, it chose not to play a

strong leadership role in the G20 coalition (Lim and Wang, 2010, p.1316). Furthermore, it did not actively participate in the most central negotiation groups, such as the G-6 (Osakwe, 2008, p.21). However, this strategy seems to have changed since the July 2008 “mini-ministerial” conference in Geneva. During the conference, China participated in the small group negotiations of the “G-7”. The “mini-ministerial” failed especially because of differences between the US, India and China. Since the conference, China was perceived to have taken a more active and assertive role in the DDA negotiations (Lim and Wang, 2010, pp.1310-1311). Karmakar states that China assumed a more proactive role during the later phase of the DDA negotiations, although it is “too premature for it to conceive of exercising any real global hegemony in the near future” (Karmakar, 2009, pp.85-86). Furthermore, Lim and Wang point out that China follows a “middle position” in the negotiations (Lim and Wang, 2010, pp.1327-1328). Considering this profile in the negotiations, China is not able to pursue a similar strategy of framing ideas and creating reputations as is the case for India and Brazil. As a result, is not able to use these strategies with the aim of increasing its ideational power in the DDA.

In comparison with the emerging markets Brazil and India, why are Canada and Japan not able to pursue a similar strategy? Reasons for the lack of this ability are linked with Japanese and Canadian foreign policy considerations, as well as their geo-strategic position. Canada's economic capabilities are below those of Japan and its geostrategic position of sharing its borders with the US results in a strong relationship of political and economic cooperation and dependence (illustrated, for example, by the NAFTA agreement). This strong cooperation and high level of dependence of the US limit both Canada's ability and incentives to develop a power or reputation on the systemic level similar to that of Brazil or India.

Despite its economic capabilities, Japan's ability to make independent use of its political power still seems limited by its long standing historical relationship of dependence to the US since World War II. As Kokobun and Wang point out, Japanese policymakers “seem to believe that their task is to come up with policies that are immediately acceptable to the United States” (Kokubun and Wang, 2004, p.171). Also Japan's geo-strategic position in its region is an important point. In addition to China's economic rise, China has also established itself as an important

political actor in the East Asian region. For example, China has assumed a key role in contributing to the regional integration, for example within ASEAN. Despite the fact that their relationship is still affected by historical realities, both China and Japan seem to engage into closer cooperation. This is necessary to stabilize the region and to increase regional integration. As Kokubun and Wang point out, the agreement on “Strengthening Cooperation toward the Twenty-first Century” of 1998 or declarations made on the importance of mutual cooperation during the UN Millenium Summit in 2000 seem to be illustrations of this (Kokubun and Wang, 2004, pp.3-23, pp.157-175). A recent example of such processes of mutual cooperation also includes Korea. Resulting from trilateral cooperation since 1999, a first trilateral summit meeting for mutual cooperation between China, Japan and Korea was held in 2008. This was followed by a series of annual trilateral summit meetings. In 2012, a “Joint Declaration on the Enhancement of Trilateral Comprehensive Cooperative Partnership” was issued during the fifth trilateral summit (MOFA, 2013b). Considering this cooperation Japan cannot be regarded as the clear leader of its region. This is a reason why it lacks a reputation or power on the systemic level similar to that of Brazil or India.

What is the effect of these reputations of emerging markets such as Brazil and India on their relative bargaining power compared to developed countries such as Canada and Japan? Reputations for being a regional leader or a representative of developed country values can increase a country's ability to take leading roles in developing country coalitions. These reputations can lead to an increase of the procedural power of these emerging markets. As described above, as leaders and coordinators of developing country coalitions, these countries can artificially increase the economic market size they represent and gain access to central negotiation groups. Furthermore, they can profit from increased information resulting from their participation in these central groups. While these ideational aspects thus seem to increase the procedural power of these emerging markets relative to all developed countries, they are especially important for developed country middle powers that have traditionally taken a central role in global trade governance. Canada and Japan have to compete with these emerging markets in playing a significant role in the most central negotiation groups. Accordingly, the research takes into account this

element of reputation as a helpful factor for the emerging markets to substitute Canada and Japan in these groups.

However, note that the reputations and images of major powers able to challenge the existing power balance and leaders of developing countries are largely self-images of Brazil and India. While the general influence and the importance of these emerging markets in developing country coalitions have increased, they do not have a similar influence to that of the EU or US. Their negotiating profiles are still largely reactive and their ability to shape the agenda is not similar to that of the EU and US. Karmakar points out that the BRICs cannot assume a hegemonic role similar to that of the US in earlier rounds and that they cannot assume leadership in the DDA negotiations (Karmakar, 2009, pp.73-76). According to Narlikar, Brazil, India and China only have the profiles of “veto players” and are unable to exert real “agenda-setting power” (Narlikar, 2011, p.115). This reactive profile can be illustrated by the activity of the G20 coalition in which both Brazil and India are important participants. The negotiation activity of the G20 has been largely reactive and based on blocking the proposals that it disagreed with. Furthermore, the economic power of Brazil and India is still limited. As pointed out in Chapter 3, their markets have grown and their economic power has relatively increased from the Uruguay Round to the DDA. However, their overall market size is still not comparable with that of the US or EU. The exception among emerging markets is China, which has experienced an exceptionally strong relative increase of its market size and economic power. Predictions about the economic development of Brazil still vary. For example, Angus Maddison’s predictions about Brazil’s future economic development are only modest. As a result, the EU and US are still able to shape outcomes and the agenda in the DDA, while emerging markets still cannot be considered to have an equal influence in the negotiations.

What is the overall importance of these reputations of emerging markets such as Brazil and India for the overall bargaining power of Canada and Japan in the negotiations? This increased ability of emerging markets to frame ideas has not only affected the bargaining power of Canada and Japan, but of developed countries and developed country middle powers in general. It can thus not be regarded as a specific conditioning factor of the bargaining power of Canada and Japan. It did, however,

increase the competition for Canada and Japan to participate in the central negotiation groups. Within the framework of this analysis, this framing of ideas thus affects the procedural power of Canada and Japan.

Fourthly, the proximity of the normative biases of Canada and Japan to the most important players changed from the Uruguay Round to the DDA. As members of the OECD and traditional developed country powers, both Canada and Japan were close to the normative biases of other central players of the Uruguay Round. For example, they were close to the normative biases of the US and EU, which were the other members of the Quad. However, as pointed out above, the basic decision-making among the most important players of the DDA is more confrontational and divided between developed country majors such as the EU and US and emerging markets. These emerging markets have different normative biases. As a result, both Canada and Japan have distanced themselves further from the normative biases of the central players of the DDA. This reduces their ideational power. This also reduces Canada's ability to profit from a reputation of being an "honest broker" in the DDA negotiations. During the Uruguay Round, Canada was able to use its reputation of an "honest broker" in order to increase its bargaining power. However, its ability to fulfil such a role as a bridge builder is decreased by the changed proximity of its normative biases. This is because emerging countries such as Brazil, India and China act as central players in the DDA and have different normative biases than those of Canada, which is a member, for example, of the OECD. Accordingly, the changed proximity of Canada's normative biases to the most important players reduces its ability to play the role of an "honest broker" in the negotiations, and decreases its bargaining power in the DDA.

In addition, analysis of Canada's and Japan's foreign policy and geostrategic considerations can determine their importance as a conditioning factor of Canada's and Japan's bargaining power. As pointed out, these considerations prevent both Canada and Japan from trying to create reputations as major global players and leaders of other countries. As a result, their foreign policy and geostrategic position reduce their ability to pursue such a strategy to further increase their ideational power. However, the importance of this factor for the overall bargaining power of Canada and Japan in multilateral trade negotiations is only very limited. Foreign

policy and geostrategic considerations can thus not be considered to be an important conditioning factor of their bargaining power. This was confirmed by the vast majority of interviewees (interview).

4.7: Conclusion.

To what extent did the procedural and ideational power of Canada and Japan decrease from the Uruguay Round to the DDA? And what is the relative importance of the different conditioning factors accounting for this procedural and ideational power? An important factor in the developed countries' overall procedural power is that they are less able to increase their bargaining power through asymmetric levels of expertise or information. Developing countries have increased the material resources they spend on the negotiations from the Uruguay Round to the DDA. The number and relative size of permanent missions of developing countries has increased. Furthermore, the proliferation of developing country coalitions is a new instrument for developing countries to gain information and expertise, share costs and to gain "virtual access" to central negotiation groups. These points are relevant for developed countries in general. However, it also affects the relative procedural power of Canada and Japan compared with developing countries that were not able to profit from an effective representation during the Uruguay Round.

Canada and Japan have disappeared from the top four to five groups in the "pyramiding" process of decision-making. They are unable to profit from participating in these central negotiation groups during the DDA. This decreased their ability to gain procedural power through the following factors: information asymmetry, exclusive participation in these central negotiations, a gain in expertise and an increase of their legitimacy. Furthermore, especially Canada was able to profit from its participation in influential negotiation coalitions during the Uruguay Round. However, the profiles of these influential coalitions have generally decreased during the DDA. Canada was unable to increase its procedural power significantly through its participation in new coalitions during the DDA. In contrast, Japan was unable to profit from a significant increase in procedural power by participating in negotiation coalitions in the Uruguay Round. During the DDA, Japan did not

substantially increase its procedural power through participating in new coalitions, with the exception of the G-10.

What is the result of this analysis for the importance of procedural power for the overall bargaining power of Canada and Japan? In an overall analysis, Canada's and Japan's coalition activity and their participation in central negotiation groups can be considered to be an important conditioning factor of their overall bargaining power in both the Uruguay Round and DDA negotiations. As a result of the factors outlined above, the relative loss of procedural power from the Uruguay Round to the DDA was higher and more significant for Canada's overall bargaining power than it was in the case of Japan. This is also because Japan has a relatively higher economic power owing to its larger economic market.

Important factors determining ideational power in multilateral trade negotiations are the framing of ideas, existing norms as well as the logic of appropriateness. The old "club model" that both Canada and Japan participated in is not seen as an appropriate mode of central decision-making during the DDA. The increasing importance attributed to the norm of internal transparency contributed to this. This change in the institutional design, which reduced Canada's and Japan's relative procedural power, is in part caused by the changing importance attributed to norms. These norms and the logic of appropriateness contributed to a decrease of Canada's and Japan's procedural power. However, in the case of Canada they also affected its ideational power. Canada in particular was able to increase its ideational power owing to this mode of decision-making and as a result of its participation in the Quad. It was able to frame its participation in the Quad to create a reputation of being an "honest broker" in the negotiations and to thus increase its ideational power. As a result, the inability of Canada to participate in the most central negotiation groups has also relatively decreased its ideational power in the DDA.

The evolving norm of fairness in multilateral trade negotiations has reduced the ability of traditionally influential developed countries such as Canada and Japan to "frame" specific negotiation issues according to their own preferences or to propose the introduction of new negotiation issues. However, this norm of fairness affects all developed countries. As a result, it cannot be considered to be a specific conditioning

factor of the bargaining power of Canada and Japan. Furthermore, it only affects their bargaining power in negotiations with developed countries. As a result, the overall importance of this factor for the bargaining power of Canada and Japan is only limited.

Emerging markets such as Brazil and India try to establish reputations of representing developing country values, of being regional leaders and of being able to challenge the systemic power balance of the GATT. These reputations can increase the legitimacy of their demands in the negotiations and thus decrease the relative ideational power of developed countries as Canada and Japan when negotiating with these emerging markets. These reputations can also result in an increase of procedural power of these emerging markets, as they contribute to their leading profiles in developing country coalitions. However, the overall influence of emerging markets of Brazil and India is still limited and their negotiating profiles are still largely reactive. They do not have an ability to shape outcomes and the agenda of the negotiations similar to that of the EU or US. Their relatively increased ideational power affects all developed countries in general and cannot be considered to be a specific conditioning factor of the bargaining power of Canada and Japan. As a result, the overall importance of this factor for the bargaining power of Canada and Japan can only be considered to be limited.

An important point is the proximity of the normative biases of Canada and Japan which changed from the Uruguay Round to the DDA. While their normative biases were close to those of the most important players of the Uruguay Round, they are more distant from those of the most important players of the DDA. This reduces their ideational power. Furthermore, it reduces Canada's ability to profit from its reputation as an "honest broker" in the negotiation of the DDA, which further decreases its bargaining power.

Finally, the importance of foreign policy and geostrategic considerations as a conditioning factor of the bargaining power of Canada and Japan has to be analyzed. They further prevented both Canada and Japan from pursuing a strategy of creating reputations as major global powers and leaders. Accordingly, they cannot follow a strategy similar to that of the emerging markets mentioned above. These

considerations prevent them from using a strategy to further increase their ideational power. However, their overall importance for the bargaining power of both Canada and Japan in the negotiations is only very limited.

This chapter has analyzed the procedural and ideational power of both Canada and Japan in the Uruguay Round and DDA negotiations. It identified the main conditioning factors accounting for this procedural and ideational power and weighed them up against each other in both rounds. It concludes the general analysis of Canada's and Japan's overall bargaining power across the different negotiation issues. However, a complete and more detailed analysis of the conditioning factors of their bargaining power needs to examine the specific dynamics of the negotiations on individual issues. The following chapter analyzes their bargaining power and the conditioning factors accounting for it in the specific negotiations on anti-dumping in both the Uruguay Round and the DDA.

Chapter 5: Analysis of Canada's and Japan's bargaining power in the negotiations on anti-dumping during the Uruguay Round and DDA.

5.1: Introduction.

Chapters three and four provided an overall analysis of the bargaining power of Canada and Japan by focusing on the facets of their structural, procedural and ideational power. A complete analysis of the conditioning factors of bargaining power also has to take into account the negotiation dynamics at the level of individual negotiation issues. In order to complement this overall assessment of bargaining power across the board, this chapter provides an in-depth analysis of the bargaining power of Canada and Japan in anti-dumping negotiations. It applies the theoretical framework to these negotiations in the Uruguay Round and DDA. To what extent were Canada and Japan able to exert influence in order to shape the outcome according to their preferences? And what are the reasons for this ability? This chapter contributes to the overall thesis in two ways. It provides more detail and specificity to the overall analysis of bargaining power and allows the analysis of the negotiation dynamics on individual negotiation issues. Secondly, by focusing on anti-dumping negotiations, the chapter contributes to the research by providing an analysis of the idiosyncratic dynamics of rules based negotiations.

Definition of the issue of anti-dumping negotiations.

The issue of anti-dumping negotiations analyzed in this chapter has to be defined. Anti-dumping measures are defined by Article VI of GATT 1994 (the “AD Agreement”) as “unilateral remedies which may be applied by a Member after an investigation and determination by that Member (...) that an imported product is “dumped” and that the dumped imports are causing material injury to a domestic industry producing the like product” (WTO, 2014j). Dumping occurs “when the export price of a good is lower than the price in the producer’s home market, or, if the home market price cannot be determined, when the export price is lower than the price of the same or a comparable product in a third market, or lower than the exporter’s cost of production” (Schott, 1994, p.77). This price discrimination is very complex: “in the simplest of cases, one identifies dumping simply by comparing

prices in two markets. However, (...) in most cases it is necessary to undertake a series of complex analytical steps in order to determine the appropriate price in the market of the exporting country (known as the “normal value”) and the appropriate price in the market of the importing country (known as the “export price”) so as to be able to undertake an appropriate comparison”. Furthermore, it has to be proven that the dumping threatens material injury to an industry or “materially retards the establishment of a domestic industry” (WTO, 2014k).

The chapter is divided into the following sections. The first analyzes the bargaining power of both Canada and Japan during the Uruguay Round. It first outlines the background of the use of anti-dumping actions by the main actors, including an overview of its use before the start of the Uruguay Round. Secondly, it presents a short overview of the negotiations and outlines the preferences of both Canada and Japan.⁶⁷ This outlines the process of the negotiations and divides the negotiations in different phases. It identifies the main negotiation issues, the main overall interests of key members, and Japan’s and Canada’s position in the spectrum of these main interests for each phase. It also presents the change of the main negotiation issues and analyzes the change of the Japanese and Canadian negotiating positions for each of the phases. Thirdly, the bargaining power of Canada and Japan as well as their sources are analyzed. A section analyzing the bargaining power of Canada and Japan in the DDA follows. This section is divided into the same three analytical parts as the first section on the Uruguay Round. A conclusion provides an overview of the major findings.

5.2.1: Background of anti-dumping investigations before and during the Uruguay Round.

As mentioned in Chapter 3, the configuration of the interests of the members of multilateral trade negotiations can influence the bargaining power of a country. As outlined in the theoretical framework, this is due to the importance of the position of a country’s preferences within the overall spectrum of the membership. If a country’s

⁶⁷ A detailed outline of the preferences of Canada and Japan during the anti-dumping negotiations of the Uruguay Round and DDA is illustrated by their negotiating proposals shown in Tables 23-26 of the Appendix.

preferences are in line with an overall consensus of other members or if they are shared by the most influential players, its overall bargaining power in the negotiations increases. If a country's preferences are considered to be extremely radical within this spectrum of the membership, its overall bargaining power is reduced. In anti-dumping negotiations, these overall preferences are influenced by the profiles of each country as a traditional user or target of anti-dumping investigations. This section outlines the profiles of Canada and Japan as well as other influential players when it comes to the use of anti-dumping investigations during the Uruguay Round. For a complete analysis, their history of using or being targeted by anti-dumping investigations before the start of the Uruguay Round needs to be analyzed. This section contributes to the analysis by providing a background of their profiles in order to determine the position of their preferences in the overall spectrum of membership.

Japan had often been the target of illegal trading measures during the Tokyo Round and earlier negotiation rounds. The main pressure for Japan came from the US through "grey area measures"⁶⁸ and its Section 301 legislation.⁶⁹ An example of this pressure by the US via grey area measures is its use of voluntary export restraints (VERs) (Lim and Lang, 2011, p.8). These measures posed a threat to Japanese exports as "the US did not have to prove anything" because of the absence of an effective rules framework (interview). As pointed out in Chapter 4, the exports of a number of other newly-industrialized East-Asian countries were similarly threatened. The rules framework regulating such illegal trading measures was not effective and anti-dumping cases were rare. For example, there were fewer than a dozen cases per year among GATT members in the early 1960s (Finger and Fung, 1993, p.2). Anti-dumping actions then became more frequent. As a result, during "the 1970s anti-dumping (AD) was the most common type of trade dispute, and East Asian countries

⁶⁸ Grey area measures such as bilateral voluntary export restraints and orderly marketing agreements were used "to limit imports of certain products. These measures were not imposed pursuant to Article XIX, and thus were not subject to multilateral discipline through the GATT, and the legality of such measures under the GATT was doubtful" (WTO, 2013d). In regard to voluntary export restraints, Finger states: "Except for those sanctioned by the textile arrangements, VERs were GATT-illegal" (Finger, M., 2012, p.420).

⁶⁹ Section 301 of the Trade Act of 1974 describes trade remedies that the US can use against foreign governments. This section was used when "U.S. rights or benefits under international trade agreements were at risk or when foreign nations engaged in unjustifiable, unreasonable, or discriminatory conduct. Section 301 focused primarily on the activities of foreign governments, not foreign businesses. It has been used primarily to open up foreign markets to U.S. exports and investments and to protect intellectual property rights" (American Business, 2010).

were the leading targets of these investigations. The same was true in the 1980s. The same was also true in the 1990s” (Prusa, 2004, p.1). The US, Canada, Australia and the EU were the traditional main users of anti-dumping actions from 1980 onwards (Prusa, 2004, p.8).

From the period from 1986 to 1994, the main initiators of anti-dumping action were the US (465 initiations), Australia (384 initiations)⁷⁰, the EC (303 initiations) and Canada (with 174 initiations) (Bown, 2012). Japan only initiated 5 anti-dumping investigations during the Uruguay Round (Zanardi, 2004, pp.414-415) but was heavily targeted by anti-dumping actions from these main players, especially from the US and the EC. The US initiated 56 anti-dumping investigations against Japan (followed by China with 41 initiations and Taiwan with 27 initiations). The EC initiated 26 anti-dumping investigations against Japan (Korea was targeted by 25 initiations, while China was the number one target with 38 initiations) (Bown, 2012). Overall, the countries targeted most often by anti-dumping investigations from 1986 to 1994 were the US (target of 163 initiations), China (148), Japan (135) and Korea (125) (Zanardi, 2005, pp.24-25). These figures show that Japan has been a prominent target of the traditional users of anti-dumping actions. It was even the number one target of the US, the largest initiator of anti-dumping investigations. They also demonstrate that Asian countries in particular were heavily targeted by anti-dumping investigations. This overall trend that countries in Asia have long been the traditional targets of anti-dumping action is also illustrated by a study analyzing the international use of anti-dumping from 1987-1997 (with China, Korea and Japan being in the top four affected countries) (Miranda et al., 1998). From 1986 to 1994, Canada’s main target for anti-dumping investigations has been by far the US with 43 initiations, which reflects the importance of Canada-US trade relations for Canada. Canada was targeted with 21 initiations by the US (Bown, 2012).

Japan thus had a long history of being targeted by anti-dumping actions and other trading measures already before the Uruguay Round. It was also heavily targeted by anti-dumping actions during the Uruguay Round. In contrast, Canada had a profile of being one of the main traditional users of anti-dumping actions. These profiles will be used as a background for analyzing the impact of their position in the overall

⁷⁰ See: Zanardi, 2004, pp.414-415.

spectrum of the membership on their bargaining power. Before analyzing their overall bargaining power, the following section provides an overview of the Uruguay Round negotiations on anti-dumping and Canada's and Japan's preferences within them.

5.2.2: Overview of the anti-dumping negotiations during the Uruguay Round and the negotiating preferences of Canada and Japan.

The negotiations were divided between the major exporters targeted by anti-dumping and the major users of anti-dumping measures (Schott, 1999, p.68). Japan was a radical member of the first group. Other members of this group of exporting countries were Hong Kong, Korea, Brazil, Finland, Norway, Sweden, Switzerland and Singapore (Lim and Lang, 2011, p.64). The second group consisted of the four main users of anti-dumping measures, including Canada. A first part of the negotiations covers the period from the start until the mid-term review of the 1988 Ministerial Conference in Montreal. The group of exporting countries stressed the need to negotiate on a revision of the anti-dumping agreement with a number of proposals, for example by Korea, India and the Nordic countries in 1987. Japan introduced its proposal in September 1987 (GATT, 1987a). The US issued a proposal in December 1987, addressing specific forms of injurious dumping that were not yet properly addressed in the Anti-dumping Code (GATT, 1987b). Despite these initial proposals, no real negotiations between the two divergent groups took place and a factual report for the mid-term review in Montreal in 1988 made no reference to anti-dumping negotiations (Lim and Lang, 2011, p.66).

During the mid-term review, it became clear that the opposition between the two camps of supplying and importing countries remained. On one side, the suppliers demanded stronger discipline and a higher degree of precision of existing anti-dumping rules (Schott, 1999, p.178). Within this group, Japan and Hong Kong were especially active representatives (Schott, 1999, p.177). The importers opposed this view and stressed that dumping damaged their industries (Schott, 1999, p.178). The main concerns of the US were circumvention as well as input dumping and repeat dumping. These preferences were supported by the EC (Schott, 1999, p.179).

During 1989, a series of proposals including specific draft texts to revise the anti-dumping agreement were tabled, for example by Korea, the Nordic countries, Hong Kong and Singapore. Japan introduced a comprehensive proposal in August 1989 (GATT, 1989a). Canada raised the issue of a lack of a framework for the negotiations (Lim and Liang, 2011, p.67). A proposal for a negotiating framework was introduced by the chairman of the negotiating group in January 1990 and used as a basis for the negotiations. During these negotiations in early 1990, especially the issue of anti-circumvention was contentious (Stewart, 1993, p.1512). An informal negotiating group of 14 delegations was established but no agreement could be reached in this group and different draft texts submitted by its chairman were rejected. Each of the draft texts received considerable criticism from both major exporters targeted by anti-dumping and major users of anti-dumping measures.

The 1990-1991 negotiations focused on the following main issues: treatment of domestic sales at prices below costs of production, determination of constructed normal values, requirement of fair comparison between export prices and normal values; determination of material injury;⁷¹ quantitative standards of de minimis margins; initiation of investigation through a domestic industry, status of labour unions as petitioners; sunset clause; anti-circumvention measures; retroactive application of anti-dumping measures in cases of “country hopping”; and dispute settlement (Koulen, 1995, p.167). Stewart states that the US and EU especially were opposed to Japan, Hong Kong and Singapore (Stewart, 1993, p.1530). For the determination of dumping, the topic of cost recovery over a reasonable period of time was contentious. Japan was particularly in favour of including “forward pricing” practices in the analysis under certain circumstances. The US and EC opposed this view. Other contentious issues were the treatment of sales at prices below cost, the issue of cyclical fluctuations, the comparison between export prices and normal values.⁷² Additionally important was, the role of factors other than

⁷¹ On the determination of material injury, Canada proposed “a hierarchy between factors such as lost sales and reduced profits and other factors in the injury analysis” in April 1990 (Koulen, 1995, p.172).

⁷² On the treatment of sales at prices below cost, Japan was in favour of requiring investigating authorities “to consider information on recovery of costs with respect to an earlier model or generation of the product in question in determining the prospects for cost recovery in start-up operations”. On cyclical fluctuations, Canada supported the view that “costs should be adjusted only if sales would otherwise be found to be at prices below costs of production in a cyclical downturn”. This view was opposed by both the US and the EC (Koulen, 1995, p.169). Also the “comparison between export

dumped imports.⁷³ Proposals on a sunset clause were submitted by Canada, the EU, Japan, the Nordic Countries and Korea. They were largely critical of the US legislation on this issue (Koulen, 1995, p.177). On dispute settlement, Japan proposed to delete the conciliation process (Koulen, 1995, p.184).

In October 1990, the negotiations broke down. In September, Hong Kong and Japan complained about new regulations on anti-dumping in the US (Schott, 1999, p.180). A further draft text was unacceptable to the US and several Asian exporting countries. The draft text prepared for the Brussels ministerial meeting in December 1990 did not propose any text on the anti-dumping code. The ministerial meeting in Brussels did not result in any substantial progress on anti-dumping negotiations (Schott, 1999, p.263).

In February 1991, the Uruguay Round negotiations continued. The other areas of the negotiations such as agriculture and TRIPS had not sufficiently progressed and thus the US and EC were not yet prepared to make concessions on anti-dumping. Already by 1991, progress in the negotiations had become largely dependent on a bilateral settlement between the US and the EC. The resulting draft anti-dumping agreement included in the Draft Final Act (GATT, 1991a)⁷⁴ followed a “middle path” (Schott, 1999, p.265). Three anti-circumvention provisions, importing-country circumvention, third-country circumvention and country-hopping were especially important for US negotiators and were all included into the draft text. However, the draft text was rejected (Schott, 1999, p.264). As Koulen points out, it did not sufficiently address the preferences especially of Japan and the US. Despite the fact that the US was able to include the topics mentioned above, the overall draft text did not sufficiently address its demands on these issues (Koulen, 1995, p.187).

In 1993 it was “obvious” that a breakthrough in the negotiations depended on a bilateral deal between the US and the EC (Schott, 1999, p.316). After last-minute

prices and normal values in situations where both export sales and domestic sales are made through related sales companies” was a major concern for Japan (Koulen, 1995, p.171).

⁷³ Canada’s controversial proposal on this issue was to define “as examples of such other factors non-dumped imports from a particular country subject to investigation and the state of competition among domestic producers” (Koulen, 1995, p.173).

⁷⁴ This “Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations” is also referred to as the “Dunkel text” or “Dunkel draft” named after GATT Director-general Arthur Dunkel (Stewart, 1999, p.221, p.511).

negotiations on the technical level did not progress, a group of ambassadors convened to make trade-offs. During the late phase of the negotiations an agreement on anti-dumping negotiations was reached on December 13th, 1993. The US had presented 11 proposals for the final negotiations.⁷⁵ Finally, 7 of the US proposals were accepted with modifications.⁷⁶ Japan's position of allowing forward pricing was rejected.⁷⁷

The fact that the anti-circumvention clause was excluded completely can be regarded as a large success in the negotiations for Japan (WTO, 2014l). This was owing to the influential players such as the EC, the US, Canada and Australia that supported its inclusion during the negotiations. It is also because it was an especially contentious issue during the negotiations. The importance of the exclusion of the anti-circumvention clause is illustrated by the strong support of the clause by the US (Paemen and Bensch, 1995, p.252).

Another issue for the negotiations on procedural requirements was the initiation of anti-dumping investigation. Canada's proposal on sufficient evidence was not included into the final outcome.⁷⁸ Also Canada's proposals to introduce a hierarchy

⁷⁵ As Kazeki points out: "The US proposal presented eleven items: (1) a deferential standard of review; (2) a statement of principles condemning dumping; (3) specific recognition of anti-circumvention actions;(4) neutral burden of proof in sunset reviews; (5) standing for workers to file petitions and establishment of a 25% floor for domestic industry support; (6) specific recognition of the use of cumulation in injury determinations in anti-dumping investigations; (7) modification of start-up cost provisions; (8) modification of below-cost sales test; (9) maintenance of *de minimis* margin levels at a historical US level of 0.5% and deletion of negligible levels; (10) modification to price-averaging provisions to permit authorities to disregard certain sales; and (11) reasonable deduction of profit in constructed value calculation" (Kazeki, 2010, p.933).

⁷⁶ As Lim and Liang state, these issues were "standard of review, cumulation, standing, termination of investigation (*de-minimis* and negligibility), price averaging, below-cost sales and sunset clause" (Lim and Liang, 2011, p.74). On the issue of country hopping, the US "succeeded in having a provision included that would allow retroactive duties when the investigation concluded there was dumping in this situation" (McDonald, 1998, p.92). Schott points out that the most important issue was "probably an agreement on "standards of review" which provided that dispute settlement proceedings could look at how dumping cases had been handled by national authorities, but not at the facts of the case. The right of US labour unions to bring dumping complaints was recognized, but the sunset and *de minimis* provisions were changed only marginally. The anti-circumvention clause, far from being strengthened as both the United States and the European Community would have liked, was removed altogether, leaving the issue for fresh negotiations after the Round" (Schott, 1999, p.326-327). Furthermore, Kazeki states that the outcome "provided more detailed and comprehensive regulations including the determination of dumping, injury and causation; the initiation of anti-dumping investigations; and review and refund procedures" (Kazeki, 2010, p.933).

⁷⁷ According to McDonald, "forward pricing means dropping prices in order to achieve economies of scale and ultimately profitability" (McDonald, 1998, p.90).

⁷⁸ As Koulen points out, proposals made by "Canada, Hong Kong and the Nordic Countries to qualify the "sufficient evidence" standard by providing that the evidence must be sufficient to establish a

of different factors for the determination of injury were excluded (Koulen, 1995, p.212). On the imposition and collection of anti-dumping duties, Canada's proposal to introduce a "uniform duty assessment and collection mechanism" was not incorporated (Koulen, 1995, p.219).

However, the most important issue for Canada was the issue of softwood lumber. This issue is concerned with negotiations on subsidies and countervailing measures. As pointed out in Chapter 3, Canada has long been an important exporter of natural resources, such as softwood lumber, especially to the US. According to the US, Canada was unfairly subsidizing its softwood lumber industries. As a result, the US imposed countervailing duties on Canadian exports of softwood lumber. This caused several disputes with the US. Canada is considered to have been successful on the issue of softwood lumber in the Uruguay Round (interview). The importance of this issue for Canada illustrates that its main priority were the negotiations on subsidies and countervailing duties, rather than anti-dumping negotiations.

5.2.3: Analysis of Canada's and Japan's bargaining power during the Uruguay Round negotiations on anti-dumping.

This section analyzes the significance of the different conditioning factors included into the theoretical framework for the bargaining power of Canada and Japan in the anti-dumping negotiations of the Uruguay Round. The section will specifically analyze how and to what extent each of these different conditioning factors accounts for their bargaining power. Within the theoretical framework of this research, an important conditioning factor is economic power. This factor can also be important for the bargaining power of a country in negotiations on a specific issue through issue linkage. As pointed out above, there is a strong issue linkage between the issues of anti-dumping and, for example, market access. Japan especially was one of the major economies during the Uruguay Round with large shares of global imports and exports as well as a large market size (see Chapter 3). Major trading partners of Japan, such as the US, gave high attention to Japan's radical concerns on anti-

prima facie case of dumping, material injury and a causal relationship" were not part of the final agreement (Koulen, 1995, p.197).

dumping during the Uruguay Round. This was the case because they were interested in obtaining concessions on other negotiations issues, such as market access, in return. As Japan's market size was larger than that of Canada, economic power as a conditioning factor of bargaining power in anti-dumping negotiations through issue linkage is especially important for Japan.

Issue linkage also demonstrates the importance of domestic interests as a conditioning factor of Canada's and Japan's bargaining power in the anti-dumping negotiations. The exchange of concessions on different issues of the negotiations through issue linkage illustrates the importance of domestic interest groups. If Japan claimed concessions on the issue of anti-dumping, it had to be able to make relevant offers to major trading partners such as the US in return. In the case of the US, for example, Japan was able to do so because of domestic interest groups in the US. They were interested in greater access to the Japanese market sectors, for example to the automotive sector. Owing to the configuration of the domestic economic interests groups of the US, Japan was able to use concessions on the issue of market access as bargaining chips in the negotiations on anti-dumping, which increased its bargaining power. As a result, this level of domestic interest groups was an important factor conditioning the overall bargaining power in anti-dumping negotiations, especially in the case of Japan.

As pointed out in Chapter 2, the procedural power of a country is important for its overall bargaining power. For example, a country can increase its procedural power through its participation in central negotiation groups or negotiating coalitions. To gain procedural power through the participation in central negotiation groups, being members of the Quad group was important for both Canada and Japan. The Quad group was seen as crucial in building the new rules framework. It included three of the main users of anti-dumping measures, as well as one of the major targets of these measures. Both Canada and Japan were able to profit from their status as traditional Quad members, which enabled them directly to exert influence on anti-dumping negotiations within this exclusive network. Lim and Liang also state that it was the Quad "which in the final analysis determined the outcome" (Lim and Liang, 2011, p.75). Within the theoretical framework of this thesis, participation in such central negotiation groups can increase procedural power through an exclusive exchange and

gain of information, expertise and technical competence. Within the Quad group, both Canada and Japan were able to profit from an exclusive network of information sharing, which further increased their procedural power.

Ideas as well as technical expertise play an important role especially in anti-dumping negotiations. As Schott points out, the negotiations focused largely on the “discussion of highly technical and apparently minor points (...). In anti-dumping actions, however, success or failure may well turn on technical matters” (Schott, 1999, p.178). In anti-dumping negotiations during the Uruguay Round, necessary technical expertise and negotiating resources as well as experience were especially important. The number of countries actively participating in these negotiations was limited (Kazeki, 2010, p.945). Both Canada and Japan were able to profit from their high levels of technical expertise and experience, which increased their procedural power.

The importance of ideas and technical expertise in anti-dumping negotiations can be illustrated by the topic of sampling.⁷⁹ This caused substantial debate among the negotiating parties in the early Uruguay Round negotiations, for example over methodology. Stewart points out that in these negotiations the “response to most issues was administrative practicality” (Stewart, 1993, p.1603). This illustrates that the negotiation dynamics in anti-dumping negotiations are not strictly based on reciprocal concessions. Rules-based negotiations such as anti-dumping negotiations can address common problems. Accordingly, progress in the negotiations can be considered a common good by the negotiation parties. This also illustrates the importance of ideas and technical expertise for being able to influence the negotiations. On the specific issue of sampling, technical understanding of the member’s concerns on administrative practicality as well as relevant ideas can lead to an influential position. Such ideas can be perceived as a legitimate solution to a common technical or administrative problem and thus increase the influence of its

⁷⁹ Dumping is determined by analysing data from relevant exporters. Sampling refers to the practice of limiting the investigations to only certain companies. As Stewart states: “As the increased numbers of exporters results in a significant administrative burden for the administering authority, coupled with the increasing complexity of many cases, certain countries have adopted practices to limit the number of entities to be investigated or reviewed. (...) Sampling in these instances must be done using a scientific sampling methodology to select those that will be required to participate in the investigation or review and on whom the dumping margin for “all other” exporters will be based (Stewart, 1993, p.1602).

proponents. The dynamics of rules based negotiations are not strictly based on reciprocity of concessions and thus differ from market access-based negotiations.

Procedural power can also be obtained through the participation in negotiation coalitions. Japan participated in a group of newly industrialized countries which shared common preferences on a number of issues including anti-dumping (see Chapter 4). Other countries in this group were ASEAN members such as Malaysia, Singapore, Indonesia and Hong Kong. However, the ability of Japan to gain additional bargaining power through participating in this group is only limited. This is because the group did not function as an official negotiation coalition, although it had a high level of internal cohesion. Singapore took a leading role within this group, preventing Japan from profiting from leadership. As a result, Japan was not able to significantly increase its procedural power through its participation in negotiation coalitions during the anti-dumping negotiations of the Uruguay Round.

The overall bargaining power of a country can also be determined by its ideational power. However, ideational power cannot be considered to have been a major conditioning factor of neither Canada's nor Japan's overall bargaining power. Bargaining power can also be influenced by foreign policy and geostrategic considerations. The large majority of interviewees stressed that this factor is not an important factor conditioning Canada's and Japan's overall bargaining power during the anti-dumping negotiations of the Uruguay Round (interview).

The position of a country in the spectrum of the overall membership is important for its bargaining power in multilateral trade negotiations as well. This factor is especially relevant for the negotiating preferences of a particular country. If the preferences of a country are regarded as radical when compared to an existing consensus or the prevailing opinion of large parts of the membership, the bargaining power of that country is reduced. This point is relevant for negotiations on the specific issue of anti-dumping, and is especially relevant for Japan's bargaining power in these negotiations. As pointed out above, there had been a long history of abuse and trade-distorting effects of anti-dumping measures that were only insufficiently disciplined by the existing trade rules before the start of the Uruguay Round. Japan had been one of the major targets of such measures both before and

during the Uruguay Round. According to interviewees, there was a general shared belief among members that it was necessary to address this issue at the start of the Uruguay Round. There was an inclination of members having used such measures “to bring Japan in the system” (interview). The US was also under pressure to accept such rule-building, as it had been continuously benefitting from these measures.

The Uruguay Round then had the purpose of building a systemic framework of rules to regulate better such measures and to limit their trade-distorting effects. Many members agreed that the use of anti-countervailing measures should be limited and the use of subsidies should be disciplined. A new system of rules should determine the way the economy should operate. It was a necessary effort to save Japan from trade-distorting effects and to continue to negotiate less “illegally” (interview). This need to improve the framework of rules was also mentioned in the Uruguay Round agenda (Hart, 1998, p.179). The importance of this is illustrated in the creation of a “surveillance body” overseeing the reduction of “existing illegal trade restrictions” (Hart, 1998, p.181). Another important point of building this new framework of rules was the fact that the agreement of the Uruguay Round applied to all members, while the Tokyo round code was only applied to its signatories.

This shared belief became apparent during the negotiations on anti-dumping outlined above. It is illustrated by a report released in October 1988 by the Chairman of the negotiating group as well as by the stocktaking of the negotiations by Arthur Dunkel, Director-general of GATT, in November 1991.⁸⁰ It is also apparent from analysis of negotiations on specific areas of anti-dumping, such as constructed value, standing, weighted averages in the calculation of export prices and normal values.⁸¹ Anti-

⁸⁰ The report released in October 1988 by the Chairman of the negotiating group states: “the main thrust of the proposals reflect experience during their implementation and operation and call for (i) strengthened disciplines; (ii) improvements on questions such as transparency; and – as the case might be – (iii) clarification of concepts, definitions and principles; and (iv) expansion of scope and coverage” (GATT, 1988a. Meeting of 27-28 October 1988. Annex I: Report of the Chairman of the Negotiating Group on MTN Agreements and Arrangements to the GNG. MTN.GNG/NG8/9, November 16, 1988 (See: Stewart, 1993, p.1496)). The stocktaking of the negotiations by Mr. Dunkel in November 1991 refers to “the objective pursued by many participants of a reform and strengthening of existing multilateral rules in such areas as the methodology for determining the existence of dumping and injury (...)” (GATT, 1991b. Progress of Work in Negotiating Groups: Stock-Taking. MTN.TNC/W/89/Add.1, November 7, 1991 (See: Stewart, 1993, p.1531)).

⁸¹ On the issue of constructed value (calculation of administrative, selling and other costs and profits), Japan “stated that unilateral interpretations in price comparisons were a source of potential disputes (...)” (Stewart, 1993, p.1556 (See: GATT, 1990a. Communication from Japan Concerning the Anti-Dumping Code. MTN.GNG/NG8/W/81, July 9, 1990)). Furthermore, Stewart states: “A number of

circumvention was a particularly important issue for Japan and many other countries shared Japan's preferences (Stewart, 1993, p.1624). The resistance to the Carlisle I⁸² draft from many members is another example.⁸³ Japan was supported on the issue of sales below cost of production and on the use of weighted averages in the calculation of export prices and normal values.⁸⁴ Stewart points out when analyzing the negotiating preferences of selected countries that the position of Japan, Hong Kong, Korea and ASEAN countries was similar in most of the major specific negotiation issues during the early Uruguay Round.⁸⁵ On the use of weighted averages in the calculation of export prices and normal values, as well as on anti-circumvention, also the position of the Nordic countries is seen as similar (Stewart, 1993, pp.100-101).

delegations opined that the U.S. and EC methodologies could be arbitrary and, thus, open to manipulation of profit margins by the administering authorities in order to create or inflate dumping margins" (Stewart, 1993, p.1557 (See: GATT, 1987c. Communication from the Republic of Korea. MTN.GNG/NG8/W/10, September 30, 1987; GATT, 1989b. Communication from the Delegation of Hong Kong. MTN.GNG/NG8/W/51/Add.1, December 22, 1989)). According to Stewart, standing can be defined as follows: "With regard to antidumping proceedings under GATT Article VI, standing refers to the right of a party or parties in the importing country to petition for relief under national antidumping laws". Concerning the issue of standing, Stewart states: "However, as the review of Article VI and the Kennedy and Tokyo Rounds makes clear, a number of countries have long been concerned with the possibility that unwarranted complaints would be filed and unwarranted investigations commenced" (Stewart, 1993, p.1575). Furthermore, on the issue of use of weighted averages in the calculation of export prices and normal values, it "was the opinion of Japan that the existing Code provisions had been subject to unilateral interpretation and thus had become a source of potential GATT disputes" (Stewart, 1993, p.1539 (See: GATT, 1990a. Communication from Japan Concerning the Anti-Dumping Code. MTN.GNG/NG8/W/81, July 9, 1990)).

⁸² In July 1990, Charles Carlisle, chairman of an informal negotiation group on anti-dumping drafted a proposal which was supposed to be the basis for further negotiations on anti-dumping (Yu, 2008, p.129). In August 1990, Mr. Carlisle submitted a second draft text (Yu, 2008, p.132).

⁸³ As Stewart points out: "Article 12 of Carlisle I was strongly objected by Japan, Korea, Hong Kong, Singapore, and others since it so closely resembled the U.S. proposal and did not take issues and concerns they had raised into account. The overwhelming negative reaction to the anti-circumvention language in article 12 was a major contributing cause for the rejection of Carlisle I as the basis for a negotiating text on the overall Antidumping Code" (Stewart, 1993, p.1639).

⁸⁴ Concerning the issue of sales below cost of production, determining "a proper methodology toward high-tech industries was of particular interest to Japan (...)" (Stewart, 1993, p.1546 (See: GATT, 1987a. Communication from Japan. MTN.GNG/NG8/W/11, September 18, 1987; GATT, 1988b. Communication from Japan. MTN.GNG/NG8/W/30, June 20, 1988)). Overall, the countries that raised "concerns about methodology or special situations included in this area of the negotiations have been Japan, Singapore, Hong Kong, and the Nordic countries" (Stewart, 1993, p.1544). Japan was also supported on the issue of the use of weighted averages in the calculation of export prices and normal values: "Led principally by Japan, a number of delegations sought to require that margin calculations be made on a consistent basis (*i.e.*, transaction to transaction or average to average)" (Stewart, 1993, p.1539 (See: GATT, 1987a. Communication from Japan. MTN.GNG/NG8/W/11, September 18, 1987)).

⁸⁵ The issues where these countries have similar positions are: use of weighted averages in the calculation of export prices and normal values, sales below cost of production, constructed value, injury analysis, standing, de minimis margins of dumping and negligible imports, cumulation of imports from multiple countries for determination of injury, sampling, sunset, anti-circumvention and dispute settlement (Stewart, 1993, pp.100-101).

Overall, economic power is more important for the overall bargaining power of Japan in the anti-dumping negotiations of the Uruguay Round than it is for Canada. This is also true for the importance of economic interest groups at the domestic level from issue linkage. In contrast, the procedural power of Canada is more important for its overall bargaining power. The position of a country in the spectrum of the GATT membership can influence its bargaining power. During the Uruguay Round negotiations on anti-dumping, this factor was especially relevant for Japan. Given the context of the Uruguay Round outlined above, Japan was a very important negotiator on the rules negotiations on anti-dumping. As one of the major victims of abusive trade measures and given the shared belief among members that these measures had to be disciplined, Japan profited from a strong legitimacy of its preferences. Japan also profited from a large number of supporters and countries with similar preferences in the negotiations.

This analysis confirms that bargaining power in anti-dumping negotiations is affected by dispute settlement procedures. This is illustrated by the “EEC – Regulation on Imports of Parts and Components”⁸⁶ dispute brought by Japan against the EC in 1988. The dispute regarded EC provisions on anti-circumvention to which Japan was opposed. The panel report was adopted in May 1990 and found the EC provisions inconsistent with the GATT. As a result of this favourable outcome of the dispute, Japan “toughened its stance” on this issue (Stewart, 1993, p.1625). Also Stewart points out that disputes can influence the bargaining power of an actor in anti-dumping negotiations (Stewart, 1993, p.1679).

5.3.1: Background of anti-dumping investigations since the end of the Uruguay Round.

This section analyzes Canada’s and Japan’s profiles as users and targets of anti-dumping actions during the time after the Uruguay Round. It provides a background for the assessment of their preferences within the configuration of interests of the overall membership. To what extent did Japan’s and Canada’s profiles change and

⁸⁶ GATT, 1990b. EEC – Regulation on Imports of Parts and Components, Report by the Panel, GATT Doc. No. L/6657 (March 22, 1990). [online] Available at: http://www.wto.org/gatt_docs/English/SULPDF/91490142.pdf

how did the configuration of the major players' interests change since the end of the Uruguay Round? These profiles are a background for analyzing the impact of the position of their preferences in the spectrum of the membership on their bargaining power during the DDA.

During the time after the Uruguay Round negotiations, the number of countries initiating anti-dumping investigations increased dramatically. Since the beginning of the 1990s developing countries in particular became part of the “anti-dumping club” (Zhou and Cuyvers, 2009, p.807). This increase resulted in 101 countries having introduced anti-dumping legislation by 2011 (Lim and Liang, 2011, p.76). The activity of these new users has resulted in a very strong increase of anti-dumping complaints, especially in the 1990s (Prusa, 1999, p.6). This resulted in developing countries' initiating 64% of anti-dumping cases and two-thirds of anti-dumping measures since 1995 (Kazeki, 2010, p.947). The structure of main initiators and targets of anti-dumping has therefore changed. Developing countries are now in an “anti-dumping war amongst themselves”. For example, China was targeted by anti-dumping initiations 469 times from 1995-2005. Of these actions 314 were initiated by developing countries. Similarly, China was the main target of anti-dumping initiations by India (86 investigations) and Brazil (47 investigations) (Debroy and Chakraborty, 2007, p.88). From 1979 to 1989, only 13 anti-dumping investigations were initiated between developing countries. The same figure for the period from 1995 to 2007 was 1448 (WTO, 2009c). Accordingly, a “‘south-south’ element” has developed in anti-dumping action (Kazeki, 2010, p.947). This new anti-dumping use also has an intra-regional character. Prusa refers to the Asia-Pacific region where the majority of anti-dumping cases come from countries in the region itself (Prusa, 2005, p.356).

China has become an especially important player in anti-dumping action (Prusa, 2005, p.347). It has been the main target of anti-dumping measures since 1996 (Debroy and Chakraborty, 2007, p.133). Both external and domestic factors contribute to this. External reasons include anti-dumping measures that are deliberately used by many countries to protect their domestic producers against newly industrializing economies. This is especially true for the major emerging market China (Debroy and Chakraborty, 2007, p.143). Anti-dumping can be used by

multinational enterprises (MNEs) against competitors in China (Debroy and Chakraborty, 2007, p.135). On domestic factors, China can be treated as a non-market economy (NME) according to its WTO accession protocol. This makes it easier to prove dumping, since the regulations of proving “less than normal value” and “material injury” are less onerous (Debroy and Chakraborty, 2007, pp.149-150). That China’s export trade structure is focused on a small number of markets and heavily relies on labour-intensive sectors with a small value added also contributes to its profile as a major target (Debroy and Chakraborty, 2007, p.144).

Japan’s experience as a target of anti-dumping actions has changed significantly from the Uruguay Round to the DDA. First, it is not the major target of the traditional players anymore, especially of the US. Since the creation of the WTO, the US has initiated 33 anti-dumping actions against Japan. This is much fewer than those in the Uruguay Round, especially considering the general increase in anti-dumping actions. In comparison, the US has initiated 112 anti-dumping actions against China, showing that Japan is no longer the most important target for the US. Japan has been heavily targeted by new users, such as India (32 initiations of anti-dumping investigations since 1995) and China (34 initiations since 1995) (WTO, 2013h). This shows that Japan is not targeted only by traditional players anymore. The decreasing importance of Japan as a target is obvious when the absolute figures of the initiation of anti-dumping actions are examined. Since the creation of the WTO, Japan has been the target of 171 initiations, which is low compared with other players such as China (the target of 916 initiations), Korea (306), the US (244) and Taiwan (234). These figures show that Japan has lost overall importance as a major target of anti-dumping actions. They also demonstrate that new and active players target Japan heavily with anti-dumping actions, demoting the US as the traditional main initiator of anti-dumping actions against Japan (WTO, 2013h). Japan has also made use of anti-dumping actions; however, it was limited as it only initiated 7 anti-dumping investigations since the creation of the WTO (WTO, 2013h).

Canada’s use of anti-dumping actions since the creation of the WTO was mainly directed towards China with 30 initiations. The US is only Canada’s second-most important target with 17 initiations. These figures illustrate that the priorities of Canada’s use of anti-dumping actions have changed from the Uruguay Round to the

DDA. While the US was the most important traditional target for Canada, China has become the main priority of Canada's anti-dumping actions since the creation of the WTO (WTO, 2013h).

The structure of users and targets of anti-dumping actions and the overall configuration of interests of the main players has changed since the end of the Uruguay Round. The number of countries actively initiating anti-dumping investigations has increased dramatically. Especially developing countries have increased their use and are targeting each other with anti-dumping investigations with China having become the main target of anti-dumping actions; Japan is no more the major target of anti-dumping actions. Canada's profile as one of the few main users of anti-dumping action has changed, as many new players are actively making use of these measures.

5.3.2: Overview of the anti-dumping negotiations during the DDA and the negotiating preferences of Canada and Japan.

The users and targets of anti-dumping actions since the Uruguay Round having been identified, it is now necessary to outline the anti-dumping negotiations during the DDA. This analysis identifies Japan's and Canada's preferences within them. Anti-dumping is an especially important negotiation issue for Japan in the DDA. Japanese officials stressed the importance of improving the rules on anti-dumping in preparatory meetings of the Doha ministerial, such as an informal General Council meeting at senior official level in June 2001 (MOFA, 2001a; MOFA, 2001b). Similarly, Japan stressed this during the Doha ministerial conference in November 2001 (MOFA, 2012). Japan applied strong pressure in favour of introducing anti-dumping into the agenda of the DDA. This pressure was a major reason that the US finally accepted the inclusion of this issue (Jawara and Kwa, 2003, p.102).

This strong emphasis on anti-dumping is further illustrated by specific reference to anti-dumping in statements by Japanese Prime Minister Junichiro Koizumi as well as Japan's Foreign Minister made shortly after the ministerial (MOFA, 2001c, MOFA, 2001d). In an outline of the negotiating schedule after the Doha ministerial, Japan

stated that its preference of strengthening discipline on anti-dumping was included into the agenda (MOFA, 2001e).⁸⁷ On 1st of February 2002, the Negotiating Group on Rules (NGR) was created by the Trade Negotiations Committee. Thereafter a process of general indications of the participants' preferences continued up to the Cancún Ministerial Meeting in September 2003 (Kazeki, 2010, p.936).

Canada's general position in the anti-dumping negotiations of the DDA is for stronger discipline of the use of anti-dumping measures. Given that anti-dumping investigations have increased significantly and that many new countries are now active users, Canada aims to address the question of potential abuse of this measure. It is in favour of greater convergence of the different systems used by member countries to increase the predictability in this area. In general, if other countries are affected by anti-dumping measures, then Canada's trade is also affected. Canada supports further discipline of anti-dumping measures for systemic reasons (interview). Canada belongs to the middle group of countries, including the EU, Brazil, New Zealand, Australia, Mexico and Turkey. Canada supports positions that all members can accept. This becomes clear upon examination of an outline of Canada's objectives circulated in January 2003. Canada lays great emphasis on achieving "transparency and procedural fairness" as well as "clarifications to existing procedures" (WTO, 2003zzz). The general tendency of Canada to make public-interest middle-group proposals to improve transparency and increase clarity of existing procedures is illustrated by its other specific proposals (see Table 26 in the Appendix). However, the most important issue for Canada remains softwood lumber, which is concerned with subsidies and countervailing duties. Canada aims to regulate further the rules on subsidies and countervailing duties on softwood lumber and tries to obtain jurisprudence on this issue.

In November 2002, the FANs group issued a "General contribution to the discussion of the negotiating group on rules on anti-dumping measures" (WTO, 2002b). The

⁸⁷ According to Keidanren, elements that need to be reviewed are the determination of dumping, the determination of injury, investigation procedures, price undertakings, imposition and collection of AD Duties, the review of AD measures and dispute settlement (Keidanren, 2001). The importance that Japan attributes to anti-dumping is also illustrated by numerous Keidanren position papers or references made by Japanese officials and negotiators, which stress the importance of the issue of anti-dumping and push for more progress on the issue during the time of the negotiations (Keidanren, 2002; MOFA 2002b; MOFA 2003a; Keidanren 2004; WTO, 2009d).

group outlined its three major objectives for clarifying rules in order to reduce abuse, “avoid excessive burdens on respondents” and to increase transparency (MOFA, 2002a). The position of the FANs group was outlined further in a document circulated in February 2003 (MOFA, 2003). During the same negotiation phase, the US stressed that anti-dumping must “remain effective in addressing unfair trade” (Kazeki, 2010, p.936).

More informal discussions on detailed negotiating positions followed from March 2004 (Kazeki, 2010, p.936). In February 2005, the FANs presented their negotiating position in further detail.⁸⁸ In preparation for the Hong Kong ministerial meeting, members engaged in consultations based on submissions that included specific changes to the ADA (Kazeki, 2010, p.938). A specific objective of Canada is to strengthen the discipline of sunset reviews. The sunset review process is used to determine whether or not an anti-dumping measure can be renewed after its initial period of usage expires. Canada’s aim is to make sure that the sunset review process is legitimate. In the proposal TN/RL/GEN/61 on sunset reviews, circulated on 15th of September 2005, Canada addressed the problem of unsubstantiated sunset reviews’ being used to maintain anti-dumping measures beyond the determined period of five years (WTO, 2005b). As pointed out above, zeroing is a very important issue for the US and it is overhanging the anti-dumping negotiations (interview). Many countries use zeroing but Canada does not have a specific position on it (interview).

Owing to the lack of progress on non-agricultural market access and agriculture, negotiations were suspended at the end of July 2006. This situation continued until spring 2007 (Kazeki, 2010, p.939). The anti-dumping negotiations during the DDA took a top-down approach, with a chair text being circulated on 30 November 2007. The US had exerted strong pressure beforehand and the legalization of zeroing was included into the text. Because of this topic, the chair text was seen as unbalanced and was heavily criticized by many members.⁸⁹ This illustrates that the topic of

⁸⁸ It circulated a ‘Senior Officials’ Statement’, identifying its six broad objectives: “(1) mitigating the excessive effects of anti-dumping measures; (2) preventing anti-dumping measures from becoming permanent; (3) strengthening due process and enhancing the transparency of proceedings; (4) reducing costs for authorities and respondents; (5) terminating unwarranted and unnecessary investigations at an early stage; and (6) improving and clarifying substantive rules for dumping and injury” (Kazeki, 2010, p.938).

⁸⁹ With regard to the chair text, Kazeki states: “Given the progress in Agriculture and NAMA, the final Doha deal was envisaged in those days as including how to address the issue of zeroing.

zeroing was highly controversial. Before the July 2008 Ministerial, “many FANs members and others took the position to ask for a balanced revised chair’s text as soon as possible after the July ministerial” (Kazeki, 2010, p.941). In December 2008, a bottom-up text was issued by the Rules Chair, which excluded the contentious issues.⁹⁰ Furthermore, Kazeki states: “Since then, the NGR has met regularly, working systematically through the issues, taking up three baskets, namely bracketed issues, un-bracketed issues and un-addressed issues” (Kazeki, 2010, p.943). In 2009, there was a first round of reading. There was a second reading until February 2011, which took out the big issues. Before Easter 2011, there was a third reading.

5.3.3. Analysis of Japan’s bargaining power during the DDA negotiations on anti-dumping:

This section analyzes the relative importance of the different conditioning factors described in the analytical framework of this research for the bargaining power of Japan in anti-dumping negotiations during the DDA. An important conditioning factor of Japan’s bargaining power is economic power. The economic development of members since the end of the Uruguay Round is an important point for Japan’s bargaining power in anti-dumping negotiations. As illustrated by the negotiating history of both the Uruguay Round and DDA outlined above, anti-dumping and market access negotiations are strongly interlinked. For example, anti-dumping negotiations came to a standstill during the DDA as there was no progress on market access negotiations. This was because concessions in both negotiations were interlinked. Members are only willing to give concessions in the form of agreeing to strengthen certain rules on anti-dumping if they know that other members provide sufficient market access concessions in return.

Therefore, quite a great deal of pressure was felt from the US Congress on the US Administration as well as on the Rules Chair and the TNC Chair (DG Pascal Lamy) in light of a possible US Trade Promotion Authority”. However, “the vast majority of WTO Members were very much dissatisfied with the text primarily due to the inclusion of the legalization of ‘zeroing’”. Kazeki points out that the “United States also expressed disappointment at the text but said that it provided a basis for further negotiations” (Kazeki, 2010, p.940).

⁹⁰ Kazeki states: “Eleven issues were bracketed, that is, zeroing, causation of injury, material retardation, exclusion of producers who are related to exporters or importers or who are themselves importers, product under consideration, information requests to affiliated parties, public interest/lesser duty, anti-circumvention, sunset reviews, third-country dumping, and special and differential treatment/technical assistance” (Kazeki, 2010, p.941).

The relative market size and the ability to make market access concessions are important for bargaining power in anti-dumping negotiations through issue linkage. Accordingly, Japan has lost bargaining power as shown by the relative decrease of market size compared with that of other major users and targets of anti-dumping action from the Uruguay Round to the DDA (see Chapter 3). Major trading partners such as the US gave more attention to Japan's radical concerns on anti-dumping rule-making during the Uruguay Round. During the DDA in particular, mainly China became a major emerging market as well as a major target of anti-dumping actions. Interested trading partners, such as the US, focus their attention on the new emerging markets, such as China, which have less radical views on anti-dumping than Japan (interview). In the case of China, this less radical view also results from its role as a user of anti-dumping. Since the creation of the Uruguay Round, China has initiated 200 anti-dumping investigations, especially against the US (36 initiations), Japan (34), South Korea (32) and the EU (20) (WTO, 2013h). The importance attributed to countries seen as becoming major markets illustrates the relevance of economic projections as a source of bargaining power.

Japan's decreased role in anti-dumping negotiations during the DDA also resulted from a shift in global supply chains. During the Uruguay Round, the main products affected by anti-dumping of Japan's exports were electronics and steel. Japan has moved up the value chain of global supply chains since the start of the DDA. Its economy transformed from a producer of exports, such as textiles and clothing, towards higher value products. Cheaper elements more susceptible to anti-dumping actions are now produced by other countries, such as China and Thailand. Japanese firms have changed their value chains in Asia (Nezu, 2012, p.203). As a result, a "fragmentation" of Japanese production occurred (Fujita and Hamaguchi, 2011, p.491). Foreign affiliates by Japanese companies overseas have proliferated from 12637 in 1997 to 18599 in 2010 (METI, 1998, METI, 2011, p.2). The strong focus on Asia is illustrated by 61.8% (11497) of these affiliates being in Asia and as much as 29.9% (5565) in China alone (METI, 2011). In the manufacturing sector, overseas employment in Asia increased substantially from 1.43 million in 1997 to 3.56 million in 2011 (which accounted for 89.7% of total Japanese employment in overseas affiliates) (Fujita and Hamaguchi, 2011, p.490, METI, 2011, p.4). In contrast, total employment in manufacturing in Japan declined from 14.45 million in

1997 to 10.32 million in 2012 (Fujita and Hamaguchi, 2011, p.490, MIC, 2012). One reason for this development is that Japanese multinationals have reacted to a series of exchange rate adjustments taking place over the last decades, which contributed to high costs of production in Japan (Fujita and Hamaguchi, 2011, p.490). As a result of this changed role in global supply chains, Japan's relative importance as a target of anti-dumping actions decreased from the Uruguay Round to the DDA. Japan has been the target of only 60 anti-dumping actions (3.5% of total AD actions) since the start of the DDA. China, for example, was targeted by 493 AD actions (28.9% of total AD actions) during the same period (WTO, 2013i).

In addition, Japan is increasingly dependent on new trading partners, such as the emerging markets China and India. These countries are making more active use of anti-dumping and Japan is heavily targeted by these new users of anti-dumping. Japan is increasingly dependent on these emerging markets as trading partners. Their more active use of anti-dumping measures illustrates that they can use anti-dumping to make credible threats of withdrawing market access from Japan, or as threats of retaliation against its own anti-dumping use. The changing configuration of the use of anti-dumping and of trade interests from the Uruguay Round to the DDA has thus also affected Japan's bargaining power.

Domestic politics and structures can be important for the bargaining power of a country. As a result of Japan's decreased economic power its ability to use it as a bargaining chip in anti-dumping negotiations through issue linkage has been reduced. This has decreased the importance of the configuration of economic interest groups at the domestic level as a factor in its overall bargaining power in anti-dumping negotiations. As pointed out in Chapter 2, the configuration of the economic interests of these domestic groups can be important through issue linkage. This illustrates the relevance of the domestic level as a conditioning factor of bargaining power. However, as Japan's ability to make use of such issue linkage has decreased, the importance of this conditioning factor for Japan's overall bargaining power has also been reduced compared with that in the Uruguay Round. With regard to the importance of domestic structures in Japan, the establishment of an investigative authority for anti-dumping has affected its reputation in the negotiations and its ideational power. This factor will be described in further detail below.

Procedural power is important for the overall bargaining power of a country. Such procedural power can be obtained by participating in central negotiation groups or negotiation coalitions. The old Quad has disappeared as a central negotiation group, and Japan is not participating in the new most central groups. This absence prevents them from profiting from a direct participation in the negotiations within these exclusive most central groups. Within the framework of this research, this absence prevents Japan from participating in an exclusive information exchange and to gain additional expertise or technical competence from it. Owing to these factors, the absence of Japan from the most central negotiation groups has resulted in a relative decrease of its procedural power during the anti-dumping negotiations of the DDA.

Japan is also less able to profit from a relative advantage of technical expertise than other members, as was the case during the Uruguay Round. During the DDA, more actors that now have substantial technical understanding and expertise of the specific issues of the complex anti-dumping negotiations have emerged. More members are now actively participating in the anti-dumping negotiations and they are able to profit from increased negotiating capabilities because of high levels of technical expertise and competence. This has resulted in a relative loss of procedural power from the Uruguay Round to the DDA in the negotiations on anti-dumping.

Countries are able to gain procedural power through participating in negotiation coalitions. Within the theoretical framework of this research, this gain depends on several factors, such as the overall influence and cohesion of the coalition, the overlap of preferences between the participating country and the coalition, as well as the official role of the country within the coalition. To what extent was Japan able to make use of coalitions during the DDA in order to counterbalance the relative loss of procedural power outlined above? As pointed out in Chapter 4, Japan is a member of the FANs group in the anti-dumping negotiations of the DDA. According to the theoretical framework of this thesis, its ability to profit from the FANs group and to increase its procedural power by participating in it is limited because of several factors. The overall influence of the FANs group is limited, as important players such as China do not participate in it. The overall cohesion of the group is low. Because of Japan's radical negotiating position in the anti-dumping negotiations, the overlap of Japan's and the coalitions' preferences is also limited. Finally, this reduced overlap

limits Japan's ability to profit from its official coordinator position within the coalition. Japan is not able to counterbalance the relative loss of procedural power resulting from its absence in the most central groups with its participation in new negotiation coalitions. Japan's overall procedural power in anti-dumping negotiations has decreased from the Uruguay Round to the DDA.

The importance of norms, ideas and reputations or the logic of appropriateness can be important factors accounting for ideational power. During the DDA especially, Japan is seen as having developed a "split personality" on anti-dumping, which undermines its radical negotiation position (interview). Traditionally, Japan rarely resolved to the use of anti-dumping measures and has been a clear supporter of refraining itself to pushing for further discipline on anti-dumping. However, Japan has now also set up an investigative authority on anti-dumping. According to interviewees, this investigative authority is mainly being used as a deterrent against China. It was set up in order to appease Japan's domestic industry, as it is now less difficult for domestic industries to begin using anti-dumping actions (interview). These interests of the domestic industry in Japan have affected Japan's credibility as a clear supporter of further discipline on anti-dumping and of rarely resolving to the use of these measures itself. These domestic interests have contributed to a reputation of Japan being seen as having a "split personality", which decreases its ideational power in the anti-dumping negotiations. Within the theoretical framework of this analysis, bargaining power can also be influenced by foreign policy and geostrategic considerations. However, according to interviewees, this factor was not an important conditioning factor of Japan's overall bargaining power during the anti-dumping negotiations of the DDA (interview).

The position of a Japan in the spectrum of the overall membership influences its bargaining power in the DDA negotiations on anti-dumping. As pointed out in Chapter 2, having preferences which are regarded as radical compared with an existing consensus or prevailing opinion of large parts of the membership affects the bargaining power of the country in the negotiations. The exclusion of the Singapore issues already suggests that there is no clearly shared belief among members that the DDA should be a project of making major systemic contributions to building a new framework of rules. This lack of consensus is especially apparent on the issue of

rule-building in anti-dumping negotiations (interview). As Prusa states: “For many new users the political calculus toward AD reform will soon shift (or in some cases, has already shifted) toward maintaining current rules” (Prusa, 2005, p.331).

Japan continues to negotiate for further discipline on anti-dumping and, largely as a result of its continuing pressure, anti-dumping negotiations were reopened. Japan is pushing for continued anti-dumping negotiations and further strengthening the existing rules on anti-dumping due to several reasons. At the end of the Uruguay Round, during a final green room meeting, Japan agreed to a package on rules that turned out to be disadvantageous for it. Since then, Japanese negotiators have wanted to reopen the negotiations (interview). During the Uruguay Round, especially the manufacturing and industrial sectors in Japan were subject to anti-dumping action by the US. The steel sector has also been subject to anti-dumping action since the 1990s and the audiovisual sector was targeted by the EU. According to interviewees, these sectors have “bitter memories” of the US and EU using anti-dumping measures against them. As Hart points out, anti-dumping measures were used by the EC and US to “harass Japanese competition” (Hart, 1998, p.182). As Japan heavily relies on international trade, this use of anti-dumping strongly affected its economy. Japan continues to be a target of anti-dumping actions. During the DDA, mainly the chemicals sector was targeted by India and China.

As a result, Japan’s position during the DDA was similar to that in the Uruguay Round. It radically pushes for disciplining the abuse of anti-dumping measures, especially including the practice of zeroing. As mentioned above, Japan cannot profit from a shared belief among members that multilateral trade negotiations should be used to build a new framework of rules on anti-dumping. This prevents it from profiting from an increased legitimacy of its preferences, as it was the case in the Uruguay Round. A critical view towards increased discipline in anti-dumping negotiations can be illustrated by a former negotiator of Singapore. He states that increased complexity might result in additional abuse of these measures (Lim and Lang, 2011, p.77). This comment is especially significant, as Singapore can be considered one of the supporters of Japan in the anti-dumping negotiations of the DDA.

As an interviewee points out, “the world has changed around Japan” from the Uruguay Round to the DDA. Many developing countries consider the Uruguay Round market access outcome to have been a bad deal for them and they thus see anti-dumping investigations as a tool to protect their economies. Also the growing south-south trade and the resulting new export interests between major developing countries are important factors. Major developing countries are thus increasingly making use of anti-dumping actions especially against each other. Furthermore, many developed countries have difficulty in competing against emerging markets, especially China. They need anti-dumping provisions in order to protect their economic interests (interview). This connection between economic development as well as competitiveness and rules on anti-dumping illustrates that Japan’s outlier position is not supportable for many members. Japan is not able to profit from an increased legitimacy of its negotiation preferences and a high level of support from other member countries during the DDA. This relatively decreases its bargaining power in the negotiations from the Uruguay Round to the DDA.

5.3.4: Analysis of Canada’s bargaining power during the DDA negotiations on anti-dumping.

This section analyzes how and to what extent the different conditioning factors outlined in the analytical framework accounted for the bargaining power of Canada in the anti-dumping negotiations during the DDA. As pointed out above, the issues of market access negotiations and anti-dumping negotiations are strongly interlinked. Canada’s economic power is relevant for its bargaining power in anti-dumping negotiations. It is able to offer concessions on market access in exchange for concessions in the anti-dumping negotiations. The fact that Canada’s economic power relatively decreased from the Uruguay Round to the DDA is relevant for its bargaining power in anti-dumping negotiations. However, economic power is not a major conditioning factor of Canada’s overall bargaining power in these negotiations. This is because of Canada’s changed position within the configuration of interests of WTO members on this issue, which will be outlined below.

In addition, Canada is also growing increasingly dependent on new players, for example emerging markets such as China, as trading partners. As pointed out above, these emerging markets have become active users of anti-dumping. Canada's use of anti-dumping was mainly directed against China during the DDA. As a result, the changing configuration of Canada's trade interests and of the use of anti-dumping also affected its bargaining power. New important trading partners such as China can use anti-dumping for credible threats of withdrawing important market access, or for threats of retaliation against Canada's use of anti-dumping. It becomes clear that this factor of economic power has affected Canada's overall bargaining power in the DDA.

Issue linkage also illustrates the relevance of domestic interest groups as a conditioning factor. Issue linkage enables a country to offer concessions on other issues as bargaining chips in anti-dumping negotiations because of the configuration of the economic interests at the domestic level of major trading partners. However, as pointed out above, Canada's economic power is not a major conditioning factor of its overall bargaining power in the anti-dumping negotiations of the DDA. As a result, also its ability to make use of it through issue linkage is low. The importance of issue linkage and the domestic level of economic interest groups as a conditioning factor of Canada's overall bargaining power in these negotiations is only limited.

Procedural power is important for the overall bargaining power of a country and Canada was one of the four traditional main users of anti-dumping measures during the Uruguay Round. It was firmly embedded in the project of systemic rule-building made to address a long abuse of anti-dumping measures. It was able to profit from the crucial network of the Quad group as well as from its substantial expertise and experience on the technical issue of anti-dumping negotiations. This increased its bargaining power during the Uruguay Round. In contrast, Canada is not a member of the most central negotiations groups during the DDA. Furthermore, the number of anti-dumping users has greatly increased and the configuration of basic preferences on the issue among members has changed dramatically. Anti-dumping negotiations are no longer divided between clear camps of traditional users and exporting countries and are no longer governed by a limited group of members such as the Quad group. Canada can no longer profit from being a member of the most exclusive

network governing the negotiations alone. It has to compete openly with many new and active users of anti-dumping.

To what extent is Canada able to gain procedural power by participating in bargaining coalitions during the anti-dumping negotiations of the DDA? Canada participates in the middle ground group during the DDA. The middle group has the objective of providing a compromise position and to facilitate bridge building. As pointed out in Chapter 4, the group only emerged late in the negotiations and does not have the profile of an official negotiation coalition promoting a clear position on specific issues of the negotiations. Accordingly, Canada's ability to increase its bargaining power through its participation in this group is only limited. Canada was able to profit from its technical expertise and long experience in using anti-dumping measures, which increased its relative procedural power in the Uruguay Round. In contrast, a variety of different members can now rely on their own experience and have developed their own technical expertise during the DDA (Kazeki, 2010, p.947).

Ideational power can be an important conditioning factor of the overall bargaining power of a country. However, it cannot be regarded as a major conditioning factor of Canada's bargaining power during the anti-dumping negotiations of the DDA. Bargaining power can also be influenced by foreign policy and geostrategic considerations. The large majority of interviewees stressed that these considerations are not an important conditioning factor in Canada's bargaining power in these negotiations (interview).

For an explanation of the overall profile and influence of Canada in the anti-dumping negotiations of the DDA, its changed negotiation preferences and altered position within the configuration of interests need to be mentioned. While Canada was one of the primary users of anti-dumping measures during the Uruguay Round and before, this changed radically. Canada cannot now be considered to be a major user during the DDA. At the start of the DDA, Canada still remained an active user of anti-dumping measures. However, it mainly limited its use of anti-dumping measures to targeting China in the area of the steel sector as the negotiations progressed. The importance of Canada's profile in anti-dumping negotiations thus decreased from the Uruguay Round to the DDA.

Furthermore, the most important topic for Canada was softwood lumber. This topic was already a priority for Canada during the Uruguay Round. The conclusion of the NAFTA agreement has made the issue less problematic for Canada. The issue was now defined more clearly with Canada's main trader, the US. It did remain contentious for Canada and disputes still arose especially between the US and Canada after 1995. This resulted in US countervailing duties on Canadian softwood lumber exports in 2001. However, in 2006 a Softwood Lumber Agreement was signed between the US and Canada which "provided for the withdrawal of the export duties and the reimbursement of most of the duties collected from Canadian forestry companies since 2002" (Germain, 2012, p.5). This illustrates that the importance of this issue for Canada has decreased as well. As a result, it did not spend many resources on these rules-based negotiation processes in the DDA. The declining role and reduced influence of Canada in the rules-based negotiations on anti-dumping and subsidies of the DDA is mainly not due to a loss of bargaining power. Another reason for its declining role in these negotiations is a reduced willingness to spend negotiation resources on these issues.

5.4: Conclusion.

This chapter has analyzed how and to what extent the different factors outlined in the theoretical framework of this research accounted for Canada's and Japan's overall bargaining power in negotiations on the specific issue of anti-dumping. This section now compares the relative importance of each of these factors for their bargaining power from the Uruguay Round to the DDA. This allows the analysis of to what extent and why the overall bargaining power in anti-dumping negotiations of Canada and Japan has decreased from one round to the other.

An important observation is that Japan's economic power was more important for its overall bargaining power during the Uruguay Round than it was for Canada. As pointed out in Chapter 3, especially Japan lost economic power from the Uruguay Round to the DDA. As anti-dumping negotiations and negotiations on market access are strongly interlinked, this loss of economic power affects Japan's bargaining power in anti-dumping negotiations through issue linkage. Major trading partners of

Japan such as the US were interested in gaining access to Japanese markets. They were more willing to make concessions on Japan's position on anti-dumping negotiations in exchange for market access concessions during the Uruguay Round. During the DDA, however, the economic development as well as the estimated future growth of emerging markets, especially that of China, is important. The US is now dealing more closely with China, which has a less radical view on anti-dumping. Japan's decreased economic power during the DDA has reduced its overall bargaining power during the negotiations on anti-dumping through issue-linkage. Canada has also lost economic power. Because of the strong issue linkage between market access and anti-dumping, this loss affected Canada's bargaining power in anti-dumping negotiations during the DDA. The decreased economic power from the Uruguay Round to the DDA is more important for Japan than it is for Canada. Economic power is not an important conditioning factor for Canada's overall bargaining power in the anti-dumping negotiations of the DDA.

Furthermore, their economic power is affected by the new configuration of trade interests as well as anti-dumping use. As pointed out in Chapter 2, economic power also depends on the ability to make threats in the negotiations. Such threats can also be important with regard to contingent protection, for example through anti-dumping measures. A country can thus threaten to initiate anti-dumping negotiations, for example as a threat of retaliation. Such threats are especially important if the threatened country is interested in market access, or dependent on the threatening country as a trading partner. Both Canada's and Japan's trade networks have changed from the Uruguay Round to the DDA and emerging markets such as China have become more important trading partners (see Chapter 3). Also the configuration of the use of anti-dumping has changed from the Uruguay Round to the DDA. New actors, such as the emerging markets China and India, have become important users of anti-dumping. Especially Japan has been heavily targeted, for example when it comes to its chemicals sector, by both China and India during the DDA. As a result, new, important trading partners of Canada and Japan are actively making use of anti-dumping. They are thus able to threaten to withdraw existing market access through contingent protection through anti-dumping and to make threats of retaliation, for example against the use of anti-dumping by Canada and Japan. This illustrates that

the conditioning factor of economic power affects Canada's and especially Japan's overall bargaining power during the DDA.

Issue linkage also demonstrates the importance of the configuration of economic interest groups on the domestic level. The domestic level is more important in the case of Japan than it is for Canada. Japan was able to make use of issue linkage to increase its bargaining power in the anti-dumping negotiations during the Uruguay Round. Owing to its relatively reduced economic power in the DDA, its ability to make use of such issue linkage also decreased in the DDA. This also reduces the importance of this conditioning factor at the domestic level for Japan's overall bargaining power in the anti-dumping negotiations of the DDA. As Canada's economic power is less important for its overall bargaining power than it is in the case of Japan, its ability to use it through issue linkage is also less important. As a result, this conditioning factor of the domestic level is less important for Canada than it is for Japan.

Their participation in central negotiations groups and negotiating coalitions as well as their technical expertise were important factors accounting for Canada's and Japan's bargaining power. The procedural power resulting from these factors was relatively more important for Canada's overall bargaining power in the negotiations than it was for Japan. Canada and Japan have lost such procedural power from one round to the other. This is because the old Quad group no longer exists and because they do not participate in the most central negotiation groups of the DDA. Being a member of the Quad group, Japan was able to profit from a highly exclusive negotiating network, including three of the four main users of anti-dumping action. Canada, like Japan, had access to the most central network of negotiating countries as a member of the Quad group. This increased its procedural power compared with that of other members outside the Quad. During the DDA, both Canada and Japan are excluded from the most central negotiation groups such as the G-4 or the FIPs. They now have to compete with other active participants in the negotiations. Their absence from these groups during the DDA made them unable to profit from an exclusive exchange of information and a gain of expertise and technical competence as they were able to during the Uruguay Round.

In addition, both Canada and Japan were able to profit from a general relative advantage in expertise and technical competence during the Uruguay Round. Participating in the project of building a rules framework on anti-dumping required negotiation resources, highly technical expertise and experience with anti-dumping actions. As Japan had both, it was able to profit from an advantage over third countries. Canada was one of the four traditional users of anti-dumping action even before the start of the Uruguay Round. It was able to profit from its large experience on the highly technical issue of anti-dumping negotiations. During the DDA, Canada is not a crucial user of anti-dumping actions. As pointed out above, a large number of new users emerged. These have obtained sufficient experience as well as expertise to participate actively in the negotiations.

Japan was unable to profit from a large gain in procedural power as a result of its participation in negotiation coalitions during the Uruguay Round. It participated in a group of newly-industrialized countries which shared common preferences, but its ability to gain procedural power from the group was limited. This results from the group's lacking profile as an official negotiating coalition and the absence of Japan's clear leadership status within the group. Japan was not able to counterbalance its loss of procedural power outlined above through participating in new negotiation coalitions during the DDA. Japan's ability to increase its bargaining power by participating in the FANs group was only limited. Canada was also unable to counterbalance the loss of procedural power resulting from its absence from the central negotiation groups through its participation in new negotiation coalitions during the DDA. Canada participated in the middle group, which does not have a profile of an official negotiation coalition. The procedural power of both Canada and Japan thus decreased from the Uruguay Round to the DDA. This decrease in procedural power is especially important for Canada's overall decline in bargaining power from one round to the other.

Japan has lost ideational power from the Uruguay Round to the DDA. During the former it was able to maintain a reputation of being a proponent of further strengthening the rules system of anti-dumping that only rarely used anti-dumping measures itself. Owing to domestic interest Japan has established an investigative authority for anti-dumping measures. According to interviewees, this has contributed

to a reputation of Japan as having a “split personality” which decreases the legitimacy of its radical negotiation position (interview). This resulted in a loss of ideational power owing to the importance of ideas and reputations. Foreign policy objectives are not considered to be of a high importance in anti-dumping negotiations. As interviewees pointed out, it is private sector companies that have the interest to dump. As a result, “firms play the game” in anti-dumping negotiations (interview). These considerations are not an important factor accounting for the overall decline in bargaining power of Canada and Japan in anti-dumping negotiations from one round to the other.

The position of the preferences of Canada and Japan in the overall spectrum of the membership can influence their bargaining power in the negotiations on anti-dumping. Already before the Uruguay Round, Japan had long been one of the major targets of anti-dumping measures that were perceived as arbitrary and as having trade distorting results. During the Uruguay Round, there was a perceived need to strengthen discipline on anti-dumping rules by a large number of GATT members. Japan’s position in anti-dumping negotiations was close to a generally perceived need to strengthen discipline on anti-dumping rules shared by many other members. During the DDA, many new players are now using anti-dumping measures and the preference of many players to strengthen anti-dumping rules has weakened. Japan still remains very radical and has grown increasingly isolated. This factor is especially important for the decrease of Japan’s bargaining power from one round to the other.

What can be concluded from this analysis concerning the validity of the hypothesis of this research for this case study of anti-dumping negotiations? Three of the five conditioning factors are especially important: economic power, the domestic level of economic interest groups and activity in central negotiation groups, as well as bargaining coalitions, were important conditioning factors for Canada’s and Japan’s bargaining power in the Uruguay Round and DDA. The importance of economic power and the domestic level is especially high for Japan. These factors are relatively less important for Canada’s bargaining power, especially during the anti-dumping negotiations of the DDA. Ideational power is a source of bargaining power in anti-dumping negotiations, as can be illustrated by Japan’s decrease in ideational power

from one round to the other. It is not an important factor for Canada's decrease in bargaining power. Foreign policy and geostrategic considerations were not an important conditioning factor of Canada's and Japan's bargaining power in negotiations on anti-dumping. It is also clear that the position of the country's preferences in the overall spectrum of the membership is an important factor for the bargaining power of especially Japan.

Concerning Canada, note also that the loss in relative bargaining power does not fully explain its profile and influence in the anti-dumping negotiations of the DDA. This is because of Canada's changed position within the configuration of interests of WTO members on this issue, which also resulted in a decreased willingness of Canada to spend significant resources on antidumping negotiations and to actively engage in them.

This chapter has analyzed the bargaining power of Canada and Japan in the negotiations on anti-dumping in both the Uruguay Round and the DDA. It has weighed up the different conditioning factors accounting for their bargaining power against each other and compared their importance across both negotiation rounds. It has thus contributed to the general analysis of Canada's and Japan's overall bargaining power by providing additional detail on a specific negotiation issue. By focusing on the issue of anti-dumping, it has allowed analysis of the idiosyncratic negotiation dynamics of rules based multilateral trade negotiations. For a more complete analysis of the bargaining power of Canada and Japan, it is necessary to examine the dynamics of market access based negotiations as well. The following chapter focuses on their bargaining power in the negotiations on the issue of non-agricultural market access.

Chapter 6: Analysis of Canada's and Japan's bargaining power in the negotiations on non-agricultural market access during the Uruguay Round and DDA.

6.1: Introduction.

The previous chapter provided an analysis of Canada's and Japan's bargaining power in the area of negotiations on anti-dumping in the Uruguay Round and DDA. It analyzed the dynamics of the negotiations on this issue area and provided an analysis of the idiosyncratic dynamics of rules based negotiations. However, for a complete analysis of the conditioning factors of bargaining power it is also necessary to focus on the dynamics of market access based negotiations. This chapter is a specific in-depth analysis of the bargaining power of Canada and Japan in the area of non-agricultural market access negotiations from the Uruguay Round to the DDA. It covers the negotiations on this issue focusing on the importance of the different conditioning factors outlined in the analytical framework of this research. It determines the relative importance of each of these conditioning factors of the bargaining power of Canada and Japan and compares them across the rounds. To what extent were Canada and Japan able to shape the outcome according to their preferences? And what are the reasons for this ability? The chapter contributes to the thesis in two ways. First, it complements the overall analysis of bargaining power by providing additional details on the dynamics of an individual negotiation issue. Secondly, it introduces a focus on the idiosyncratic negotiation dynamics of market access-based negotiations.

With regard to the concept of bargaining used in this research, the mercantilist bargaining model seems to be relevant in particular for analyzing bargaining power in market access negotiations. As Finger et al. point out: "Within this model, what you get is what you pay for. It treats market access bargaining as an application of the straightforward mercantilist calculus that measures gaining access to foreign markets as a benefit, giving up access to the domestic market as a cost" (Finger, Reincke and Castro, 1999, p.3).⁹¹ These dynamics are relevant in particular for

⁹¹ Furthermore, Finger, Reincke and Castro state: "Trade negotiators (at least those who conduct the market access negotiations (...)) bargain over market access – to gain a reduction of other countries'

negotiations on market access where concessions, in particular in tariff negotiations, are largely quantifiable and negotiations are based on reciprocity. In contrast, the importance of the mercantilist bargaining model seems less relevant for negotiations on rules, for example on the issue of anti-dumping.

Definition of the issue of non-agricultural market access negotiations.

The negotiation issue of non-agricultural market access analyzed in this chapter has to be defined. During the Uruguay Round, industrial and manufactured products were negotiated “under the umbrella of the original GATT mandate, Article 28, entitled ‘Tariff Negotiations’” (Coskeran et al., 2012, pp.344-345). According to the Ministerial Declaration on the Uruguay Round, negotiations on tariffs “shall aim, by appropriate methods, to reduce or, as appropriate, eliminate tariffs including the reduction or elimination of high tariffs and tariff escalation⁹². Emphasis shall be given to the expansion of the scope of tariff concessions among all participants” (Croome, 1999, p.346). In the DDA, non-agricultural market access negotiations refer to non-agricultural products, which are those “not covered by Annex 1 of the Agreement on Agriculture” (Santana, 2005, p.311). In practice, this “includes manufacturing products, fuels and mining products, fish and fish products, and forestry products. They are sometimes referred to as industrial products or manufactured goods” (WTO, 2014m). Paragraph 16 of the Doha Ministerial Declaration states that the DDA negotiations on non-agricultural market access “shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks⁹³, high tariffs, and tariff

tariffs at the cost of a reduction of ones own” (Finger, Reincke and Castro, 1999, p.2). Winham also refers to the importance of “mercantile bargaining” when it comes to tariff liberalization (Winham, 2010, p.136). Additionally, Paul Krugman states: “Anyone who has tried to make sense of international trade negotiations eventually realizes that they can only be understood by realizing that they are a game scored according to mercantilist rules, in which an increase in exports (...) is a victory, and an increase in imports (...) is a defeat. The implicit mercantilist theory that underlies trade negotiations does not make sense on any level (...) but it nonetheless governs actual policy” (Krugman, 1997, p.114). Also Dür states: “Gains are understood as improvements in foreign market access that favour domestic exporting interests, whereas concessions are reductions in the own trade barriers that impose costs upon import-competing interests” (Dür, 2008, p.654).

⁹² Tariff escalation occurs when “higher import duties are applied on semi-processed products than on raw materials, and higher still on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where raw materials originate” (WTO, 2013).

⁹³ Tariff peaks are defined as tariffs higher than 15 per cent (McDonald, 1998, pp.67-68).

escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries” (WTO, 2001b).

Market access negotiations on non-agricultural products also take place on non-tariff measures (NTMs). A definition of NTMs offered by the Multi-Agency Support Team (MAST) in support of the work of the “Group of Eminent Persons on Non-tariff Barriers established by the Secretary General of UNCTAD in 2006” is: “Non-tariff measures (NTMs) are generally defined as policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both” (UNCTAD, 2012, p.3). A classification of these NTMs can include the following: Sanitary and phytosanitary measures; technical barriers to trade; pre-shipment inspection and other formalities; contingent trade protective measures; non-automatic licensing & quantity control measures; price control measures, additional taxes and charges; finance measures; measures affecting competition; trade-related investment measures; distribution restrictions; restrictions on post-sales services; subsidies; government procurement restrictions; intellectual property; rules of origin and export measures (UNCTAD, 2012, p.4). This research refers to these measures as NTBs.

Negotiations on NTBs have dynamics that are similar to more rules-based negotiations. As the characteristics of rules-based negotiations are dealt with in the case study on anti-dumping negotiations, this analysis mainly focuses on the negotiating dynamics of tariff negotiations.⁹⁴ Furthermore, as interviewees have pointed out, the negotiations on many NTB issues do not have dynamics of clearly reciprocal request-offer bargaining as is the case in tariff negotiations. As a result, this chapter does not focus on a detailed analysis of the existing NTBs in either Canada or Japan during the Uruguay Round and DDA negotiations.

⁹⁴ For similar reasons, the analysis will also not focus on the related issue of technical barriers to trade (TBT). This issue was negotiated in the negotiating group on MTN agreements and arrangements in the Uruguay Round and is negotiated in the committee on technical barriers to trade in the DDA. Negotiations on TBT often take place on a more bilateral basis and involve an exchange of information and inquiries through points of information located in individual member countries. These negotiations take a form similar to a dialogue, involve specific agreements, for example on mutual recognition of standards, and can be described as a current process relying on information exchange. Owing to the idiosyncratic dynamics of the negotiations on this issue, the analysis will not focus on TBT negotiations.

The chapter is divided into the following parts. The first section briefly introduces the negotiation issue as well as the range of included items. The second section analyzes Canada's and Japan's bargaining power during the market access negotiations of the Uruguay Round. The first part of this section outlines the process of the negotiations and divides the negotiations in different phases. It presents the main issues, the main overall interests of key members, as well as Japan's and Canada's position in the spectrum of these main interests for each phase.⁹⁵ The key countries that Canada and Japan were negotiating with are identified. Which were the key actors involved in the negotiations on this issue? To what extent were the preferences of these actors opposed to those of Canada and Japan? Which were the key actors most clearly opposed to Canada and Japan? The negotiating positions of Canada and Japan at the beginning of the negotiation rounds are described. It is also determined to what extent these negotiating positions have changed throughout the negotiations. Finally, the outcome of the negotiations in the area of market access negotiations is described. The second part of this section deals with an analysis of the conditioning factors or sources of Canada's and Japan's bargaining power during the negotiations. The third section analyzing the bargaining power of Canada and Japan in the non-agricultural market access negotiations during the DDA follows. It is divided into the same analytical parts as that dealing with the Uruguay Round negotiations.

6.2: Introduction to the “art and science of tariff negotiations”.⁹⁶

Non-agricultural market access tariff negotiations are about “bound tariffs”. A bound tariff is a “legal commitment not to raise the most-favoured nation (MFN) applied rate of a tariff line above the level specified in the Member's schedule of concessions” (Santana, 2005, p.311). The negotiations also define the modalities, which are the rules established by the members for the negotiations on new tariff bindings and cuts on bound tariffs. With regard to the modalities of the negotiations,

⁹⁵ A detailed outline of the preferences of Canada and Japan during the market access/NAMA negotiations of the Uruguay Round and DDA is illustrated by their negotiating proposals shown in Tables 27-30 of the appendix.

⁹⁶ See: Low, P. and Santana, R. (2009). Trade Liberalization in Manufactures: What is Left After the Doha Round? *The Journal of International Trade and Diplomacy*, 3(1), p.72.

the three main tariff reduction methodologies are product-by-product or request-offer, formula and sectorals approaches. These methodologies are often used in combination (Low and Santana, 2009, p.73). Accordingly, flexibilities are often included into negotiations on tariff reductions (Low and Santana, 2009, p.86).⁹⁷ Product-by-product negotiations concentrate mainly on bilateral negotiations between “principal supplier” countries (Low and Santana, 2009, p.73). This approach offers tailor-made results and allows negotiators to focus on their export interests. It makes it easy for negotiators to avoid making concessions on sensitive areas (Low and Santana, 2009, p.74). A second methodology is tariff reduction that uses a formula approach. Negotiations on this issue first have to determine an appropriate formula and subsequently to define the parameters of the formula. The different formulae can be classified by the criteria of whether they are applied on a line-by-line basis or not.⁹⁸ Negotiations following the sectoral approach deal with tariffs of individual sectors or products (Low and Santana, 2009, p.83). Two main variations of sectoral initiatives are the “zero for zero” sectorals and the harmonization variant.⁹⁹

⁹⁷ Such flexibilities can be classified into seven different variants: staging flexibilities; a less ambitious form of the same modality; lesser reductions for a certain number of products; the possibility of deviating from the main modality by compensating with other products; the possibility to exclude a certain number of products; the application of a different, softer modality; and a full exemption from tariff reductions. (Low and Santana, 2009, p.87).

⁹⁸ Formulae not applied on a line-by-line basis “set “benchmarks” or “targets” rather than prescribing definite results at the tariff line level. They are normally favoured in situations where participants want to retain the possibility of applying different reductions among sectors or tariff lines (...)” (Low and Santana, 2009, p.76). Three main variations of such formulae include the simple average reduction, the reduction in the average and the target average (Low and Santana, 2009, p.77-78). Tariff reductions resulting from a formula applied on a line-by-line basis affect each tariff line. As a result, “all new tariff levels will be known from the moment the formula is agreed.” The use of such formulae “makes it difficult to shelter sensitive products or sectors” (Low and Santana, 2009, p.79). The classification of formulae applied on a line-by-line basis can be further divided into two major groups: linear and non-linear formulae. Linear formulae “consist in a commitment to reduce all tariffs, or the tariffs in a certain sector, by an agreed percentage” (Low and Santana, 2009, p.79). Non-linear formulae, on the other hand, “reduce the “high” duties by a bigger percentage than the “low” duties. This is a very attractive property when tackling high tariffs, tariff peaks and escalation” (Low and Santana, 2009, p.80). As such formulae do not allow much room for manoeuvre, they are “likely to trigger requests for flexibilities” (Low and Santana, 2009, p.82).

⁹⁹ The first option is the methodology of ““zero for zero” sectorals, in which countries agree to liberalize fully the trade in a given sector at the end of the chosen implementation period” (Low and Santana, 2009, p.83). Secondly, there is the ““harmonization” variant, in which participating countries agree to bring tariffs in a particular sector to an agreed level” (Low and Santana, 2009, p.83).⁹⁹ As a benefit from the offensive point of view, this methodology allows participating countries to “focus on their main export interests, so the results are tailor-made to the interests of their export-oriented constituencies” (Low and Santana, 2009, p.85). However, this methodology also limits “the room for manoeuvre even more than the formulae that are applied on a line-by-line basis” and therefore easily result in participating countries requesting flexibilities (Low and Santana, 2009, p.85). As Low and Santana state, another important concern is free-riding, “where significant exporters may choose not

6.3.1: Overview of the market access negotiations during the Uruguay Round and the negotiation preferences of Canada and Japan.

Overall, market access negotiations on tariff measures took place in three different groups: the tariff group, the tropical products group and the natural resource-based products group.¹⁰⁰ The effectiveness of the natural resource-based products group was limited from early in the negotiations. Many key members were unwilling to negotiate on such products in the group as it was isolated from the main negotiations. Participants in the tropical products group had made all the concessions they were willing to make by 1990 and negotiations then stopped until the conclusion of the round (Croome, 1999, p.156). Accordingly, while the other groups are included, the analysis of bargaining power examines the negotiations in the tariff group up to the point when the market access issues were combined in one group in February 1991. During the early phase of the Uruguay Round, the main issues of the negotiations were tariff escalation, tariff peaks, nuisance tariffs, the base rates used as a basis for negotiation and the scope of bindings. Many of these issues had already been identified through preparatory work of the negotiating committee on tariffs before the start of the round (GATT, 1986).¹⁰¹ The main controversy of the early phase of the negotiations was the question of which modalities should be used for tariff reductions. The EU and Japan supported tariff reductions on an “across-the-board” basis, while the US was in favour of a “request-offer basis” (Whalley and Hamilton, 1996, p.36).

Japan proposed that developed countries should reduce their industrial tariffs to zero.¹⁰² Several countries (Czechoslovakia, the EC, Hungary and the US) expressed their doubts that the Japanese proposal was realistic (Stewart, 1993, p.402-412). In February 1988, Japan issued a supplementary submission recognizing that a

to participate in a sectoral negotiation in order to avoid reducing their own tariffs, but nevertheless enjoy the benefits of the sectoral once the results are multilateralized (Low and Santana, 2009, p.84).

¹⁰⁰ The different negotiation bodies and decision-making processes during the Uruguay Round and DDA as well as a timeline of both negotiation rounds are outlined in more detail in the Appendix.

¹⁰¹ GATT, 1986. Preparatory Committee, Record of Discussions of 4-5 February. PREP.COM(86)SR/2, Mar. 18, 1986. (See: Stewart, 1993, p.400).

¹⁰² This proposal excluded “tariffs on mining and forestry, on which in any case it preferred to negotiate in the group on natural resource-based products” (Croome, 1999, p.35).

complete elimination of all tariffs might not be feasible (GATT, 1988).¹⁰³ Canada had not yet issued a particular position in the negotiations. It stressed the importance of addressing the issues of tariff peaks and tariff escalations, but did not circulate a position with a specific approach to the negotiations during this early phase. However, Canada proposed a full binding of all tariffs (Croome, 1999, p.35). The fundamental disagreement over the tariff-cutting modality among the members continued to block progress during the first two years of the negotiations. In June 1988, Australia, Canada, Hong Kong, Hungary, Korea, New Zealand and Switzerland proposed to use a harmonization formula as a tariff reduction modality (Croome, 1999, p.37). During the Montreal ministerial meeting, there was a breakthrough in tariff negotiations. The aim of tariff negotiations was set to cutting tariffs by 33% (Stewart, 1993, p.409). Furthermore, members agreed on a “substantial increase” of binding (Croome, 1999, p.145). Ministers agreed to use bound rates as the basis for the tariff negotiations (Stewart, 1993, p.409). Owing to a blockage mainly on the issue of agriculture the round was then “effectively suspended for four months” (Croome, 1999, p.147).

After the Montreal Ministerial meeting, the most important issues were the definition of a negotiating technique as well as the definition of the product coverage of the negotiations. Phase-in periods, credit for bindings, tariff exception lists and maximum bound tariff rates were important issues (GATT, 1989c; GATT, 1990c)¹⁰⁴. Soon after the first meeting of the negotiation group since the Montreal ministerial meeting, Japan and Canada each submitted formal proposals. Japan abandoned its proposal of full tariff reduction and accepted a reduction of 33% by formula (Croome, 1999, p.158). Canada presented a compromise position in order to overcome the deadlock of the negotiations.¹⁰⁵ According to Croome, these proposals were largely supported by other members (Croome, 1999, p.158). However, although “three of the Quad participants, the acknowledged key players of the Round, were on

¹⁰³ GATT, 1988. Modalities for Tariff Negotiation, Supplementary Submission by Japan. MTN.GNG/NG1/W/Supp.1, Feb. 24, 1988. (See: Stewart, 1993, p.405).

¹⁰⁴ GATT, 1989c. Meeting of 9 May 1989, MTN.GNG/NG1/11, May 25, 1989; GATT 1990c. Meeting of 15 December 1989 and 30 January 1990, MTN.GNG/NG1/18, February 9, 1990 (See: Stewart, 1993, p.409).

¹⁰⁵ According to the Canadian proposal, “tariff rates of thirty percent or more would be reduced by thirty-eight percent. Tariff rates below thirty percent would be reduced within a range of thirty-two to thirty-seven percent. Any revised tariff rate less than three percent would be eliminated” (Stewart, 1993, p.413).

the same track, the fourth was not” (Croome, 1999, p.158). The US insisted on the request-offer approach (Stewart, 1993, p.414).

In February 1990, it was agreed that different modalities could be used if the reductions agreed in Montreal were reached. This agreement opened the way for negotiations on specific tariff cuts with a focus on bilateral bargaining (Croome, 1999, pp.158-159). Furthermore, Canada, Japan and Austria supported the Canadian formula approach (Croome, 1999, p.158). Japan proposed “tariff cuts far greater than the one-third goal” (Stewart, 1993, p.418). It also expressed support for the “U.S. zero-for-zero proposals on pharmaceuticals, aluminium, paper, and construction equipment” with the condition of “tariff concessions in its own areas of high priority, *e.g.*, fish, wood, and non-ferrous metals” (Stewart, 1993, p.419). Canada supported the zero-for-zero tariff reduction approach proposed by the US, while Japan initially opposed it. Developed countries then accepted the proposals in the sectors of pharmaceuticals as well as parts of construction equipment (Stewart, 1993, p.427). The importance of the link between rules negotiations, for example on anti-dumping, and market access negotiations, is illustrated by these negotiations. Croome states that progress on these market access negotiations depended on members' knowing the progress made on “ground rules as those governing safeguard and anti-dumping action” (Croome, 1999, p.160).

Again, because of blockage mainly over the issue of agriculture, negotiations were suspended after the Ministerial meeting in Brussels. The Uruguay Round negotiations only resumed in March 1991. Despite the resumption of the negotiation group meetings, “the real bargaining on tariffs and non-tariff measures had not yet really started. It did not start in 1991” (Croome, 1999, p.258). During this negotiation phase, the major topics were tariff peaks, nuisance tariffs, tariff escalation and the level of bindings (GATT, 1991b).¹⁰⁶ Other important issues were “a mechanism to credit tariff bindings and the liberalization of non-tariff measures, as well as the recognition of autonomous liberalization measures taken by developing countries” (Stewart, 1993, p.436). Members continued to refuse making concessions as long as agricultural negotiations were deadlocked (Stewart, 1993, p.433). This blockage also

¹⁰⁶ GATT, 1991b. Progress of Work in Negotiating Groups: Stock-Taking. MTN.TNC/W/89/Add.1. Nov. 7, 1991. (See: Stewart, 1993, p.434).

reflected the fact that the “countries concerned were, for many products, each other’s principal suppliers. This meant that the level of tariff reductions offered by them would largely depend on their mutual bargaining. Until that bargaining took place, smaller participants had no incentive to put their own cards on the negotiating table” (Croome, 1999, p.288).

In December 1991, the Draft Final Act by Arthur Dunkel was circulated. Subsequent negotiations “centered around bilateral reductions of tariff and non-tariff measures” (Stewart, 1993, p.437). For example, in February 1992, the EC and US negotiated bilaterally in order to achieve a consensus on the issue of market access. Progress in the negotiations at this stage still depended on the progress of agricultural negotiations as well (Stewart, 1993, p.440). During this phase, Japan and Canada only presented incomplete proposals concerning market access negotiations (Stewart, 1993, p.441). However, the US and the EC came to an agreement on the issue of agriculture in November 1992, which also facilitated progress in the market access negotiations.

The subsequent Tokyo agreement in the negotiations in 1993 was a breakthrough illustrating the importance of the Quad (Croome, 1999, p.308).¹⁰⁷ Furthermore, these negotiations illustrate the importance of reciprocity of concessions in market access negotiations. A number of key players offered concessions in certain sectors to their principal suppliers, but demanded similar concessions from them in return as a condition (Croome, 1999, pp.308-309). Tariffication remained a difficult issue for Canada during the final phase of the negotiation (Croome, 1999, p.318). On 8th December 1993, the EC and US put forward their agreement on industrial products. They proposed tariff elimination and tariff cuts on several sectors, but linked it to the condition that other members, especially Canada and Japan, made sufficient concessions.¹⁰⁸ Furthermore, a number of “zero-for-zero” sectoral agreements were

¹⁰⁷ As Coskeran, Kim and Narlikar state: “The July 1993 Tokyo accord from the Quad (US, Canada, EC, Japan) signaled a major breakthrough. This agreement, at US insistence, included ‘zero for zero’ proposals to eliminate tariffs in a common list of product sectors. The accord sought to cut tariffs by an average of a third for products outside the listed ‘zero for zero’ sectors. Only a few developing countries agreed to participation in the sectoral agreements” (Coskeran, Kim and Narlikar, 2012, p.349).

¹⁰⁸ Croome states that their proposal included “tariff elimination for paper and pulp, wood, toys, and also steel, but had abandoned hope for the time being of a multilateral steel agreement. Deep tariff cuts were envisaged for electronics products (but not consumer electronics), for scientific equipment,

concluded.¹⁰⁹ Sectoral agreements also included an agreement on chemical products (Low and Santana, 2009, p.84). From this outline of the negotiations, the importance of both the US and EC for the conclusion of the round becomes obvious (Deese, 2008, p.95).

6.3.2: Analysis of Canada's and Japan's bargaining power during the market access negotiations of the Uruguay Round.

This section analyzes the importance of the different conditioning factors outlined in the theoretical framework of this research for the bargaining power of Canada and Japan in the Uruguay Round market access negotiations. How do these factors account for their bargaining power and how can their relative importance be weighed up? A first important conditioning factor of Canada's and Japan's bargaining power is economic power. Economic power depends on being able to offer bargaining chips that other countries are interested in. Such bargaining chips take the form of market access concessions. Within the analytical framework of this research, an important indicator for this ability is the degree of openness to international trade of the countries' economies. In market access negotiations, remaining tariff barriers, especially in sectors in which other main trading partners are interested, are an important indicator for economic power. The analysis starts with an overall assessment of the capacity of Canada and Japan to make tariff concessions.

In the Uruguay Round, Japan committed to the largest percentage reduction in tariffs on industrial products, at 56%. This results in a reduction of 2.2 percentage points in the average tariff for the Japanese market, from a 3.9% before the Uruguay Round to a post-Uruguay tariff of 1.7%. Canada committed to a reduction in tariffs on industrial products of 47%. Before the Uruguay Round, the average tariff on industrial products was 9% for Canada and was reduced to 4.8% after it. The overall average of tariff cuts on industrial products by developed countries was 38%,

and for non-ferrous metals, with tariff elimination for tin, nickel and copper. All these proposals were conditional on similar action by others, especially Canada and Japan" (Croome, 1999, p.325).

¹⁰⁹ As Cline points out, „the Uruguay Round added the dimension of sector-wide elimination of tariffs by industrial countries over 5 to 10 years. These 'zero-for-zero' agreements extended to at least the following sectors: farm and construction equipment, beer, distilled spirits, furniture, paper, pharmaceuticals, toys, medical equipment, and steel" (Cline, 1995, p.6).

resulting in an average tariff of 3.9% (Hoda, 1994). In contrast, the average tariffs of many developing countries remained at significantly higher levels. For example, the average tariff of Brazil was 27% after the Uruguay Round, while the average tariff of India was 32.4% (GATT, 1994, p.70).¹¹⁰ Japan committed to an increase of duty-free treatment of imports from 35% to 71%, while Canada increased its duty-free treatment from 21% to 39%. Overall, duty-free treatment of imports by developed countries rose from 20% to 44% (Hoda, 1994, Martin and Winters, 1996, p.130). Canada's percentage of bound tariffs was at 100% both before and after the Uruguay Round. Japan's percentage of bound tariffs increased from 89% to 96% (Hoda, 1994).

For a full analysis of Canada's and Japan's economic power, not only the overall openness to international trade, but also the other indicators outlined in the analytical framework are important. For example, the overall market size measured in the share of global GDP (PPP) as well as the share of global imports and exports are important. As pointed out in Chapter 3, Japan could be regarded as one of the major economies during the Uruguay Round with high shares of global GDP (PPP). High shares of global imports and exports also illustrate that Japan was a very important trading partner. The Canadian indicators for share of global GDP (PPP) and global imports and exports are lower, indicating a lower economic power. These indicators are important because the overall value of the market openness of a country, as a bargaining chip in the negotiations, depends on the market size which the trade barriers protect. For example, the reduction of tariff barriers is more valuable as a bargaining chip if they protect a large economic market, which is the case in Japan.

Canada and Japan in particular were able to offer substantial tariff concessions during the market access negotiations of the Uruguay Round. Furthermore, Japan's tariff concessions protected a large economic market of one of the major trading partners in the Uruguay Round. Within the theoretical framework of this analysis, this enabled both Canada and especially Japan to offer significant bargaining chips in the negotiations that other trading partners were interested in. This formed a main source of their bargaining power in the negotiations. However, a complete analysis

¹¹⁰ These tariff levels are "computed as the weighted average of tariff rates on bound lines and applied tariff rates on unbound rates" (GATT, 1994, p.70).

of their economic power also requires a sectoral analysis of the tariff concessions that they were able to offer. This is also important within the configuration of offensive and defensive economic interests of Canada and Japan as well as their major trading partners. Concessions in some sectors are important conditioning factors of economic power as other countries can be especially interested in them.

Tables 20 and 21 provide a sectoral analysis of the concessions offered by Canada and Japan during the Uruguay Round market access negotiations. In Table 20, Japan is shown to have had substantial reductions in tariffs that it could offer during the market access negotiations of the Uruguay Round: Japan offered tariff cuts of more than 50% in key sectors such as the chemicals and rubber, mining and other manufactures sectors. They together accounted for a share of 59.1% of the total imports of the Japanese market. Japan offered a full elimination of tariffs in the transport equipment sector, which accounted for 4.7% of Japanese imports. From Table 21 it is clear that Canada was also able to offer high tariff reductions in important sectors. Canada offered tariff reductions of 34.1% in the transport equipment sector, of 48.4% in the chemicals and rubber sector and of 54.3% in the other manufactures sector. These sectors together accounted for a share of 74.8% of total Canadian imports.

Table 20: Japan's pre- and post-Uruguay Round tariff rates on non-agricultural products as well as their shares of total imports (%).¹¹¹

Product	Old	New	Cut	Share of total imports (%)
Fishery products	5.7	4.1	28.6	3.7
Forestry products	0	0	30.2	1.8
Mining	1.3	0.6	56.3	23.7
Textiles	7.4	6	19.5	2.8
Clothing	13	10.2	21.9	3.4
Primary Steel	3.9	0.6	84.6	2
Primary non-ferrous metals	4.1	2.4	41.7	4
Fabricated metal products	3.4	0.9	74.3	1.1
Chemicals and rubber	4.1	1.6	60.9	7.1
Transport equipment	1.5	0	100	4.7
Other manufactures	2	0.9	52.1	28.3

¹¹¹ See: Francois, J., McDonald, B. and Nordström, H., 1994. The Uruguay Round: A Global General Equilibrium Assessment. Centre for Economic Policy Research, Discussion Paper No. 1067, November 1994.

Table 21: Canada's pre- and post-Uruguay Round tariff rates on non-agricultural products as well as their shares of total imports.¹¹²

Product	Old	New	Cut	Share of total imports (%)
Fishery products	3.2	2.1	34.4	0.3
Forestry products	0	0	34.3	0.2
Mining	2.6	1.3	49.3	4.9
Textiles	18.6	11.7	36.8	1.9
Clothing	22.9	16.6	27.7	1.5
Primary Steel	7.4	0.4	95.2	2
Primary non-ferrous metals	4.9	2.7	44.4	1.5
Fabricated metal products	9.7	6	37.8	2.6
Chemicals and rubber	10.3	5.3	48.4	8.8
Transport equipment	8.1	5.4	34.1	20.7
Other manufactures	6.3	2.9	54.3	45.3

Canada and especially Japan were able to offer substantial concessions in different important sectors and were able to use these concessions as bargaining chips in the market access negotiations with key trading partners. This ability is an important conditioning factor of their overall bargaining power in market access negotiations. Economic power can be considered to be an especially important conditioning factor of Japan's bargaining power during the Uruguay Round. Japan's economic power was higher during the market access negotiations of the Uruguay Round than that of Canada.

This importance of the ability to make significant tariff concessions, as well as of the configuration of offensive trade interests, is illustrated by the negotiation process of

¹¹² See: Francois, J., McDonald, B. and Nordström, H., 1994. The Uruguay Round: A Global General Equilibrium Assessment. Centre for Economic Policy Research, Discussion Paper No. 1067, November 1994.

the Uruguay Round. As Stewart points out, the US had already attached great priority to the direct negotiations with its “major trading partners” and “principal suppliers” during the early phase of the Uruguay Round (Stewart, 1993, pp.413-414). For example, Japan was “one of the principal U.S. suppliers of motor cars and parts, sound and television recorders, office machines, photographic equipment, electrical machinery, and sporting goods” (DOC, 1991).¹¹³ The importance of being one of the principal suppliers of major markets such as the US, as well as the ability to offer significant tariff concessions in key markets, was a crucial conditioning factor of the bargaining power of Canada and Japan. The modalities of these negotiations were also important especially for Japan. As pointed out, market access negotiations were held on a request-and-offer basis during the Uruguay Round. The bigger markets as Japan had more bargaining power to push their viewpoints in these bilateral negotiations.

As pointed out in Chapter 2, the level of domestic politics and the configuration of economic interest groups at the domestic level are an important factor conditioning bargaining power. Both Canada and Japan had to be able to make offers in which their key trading partners were interested in order to be able to demand concessions. They were able to use the concessions described above as bargaining chips in the negotiations owing to the configuration of domestic interest groups of their key trading partners. For example, Japan was able to use the concessions as bargaining chips in the negotiations with its major trading partner US owing to the configuration of its economic interest groups at the domestic level. Furthermore, the level of domestic politics and the configuration of economic interest groups are an important factor because of issue linkage. As market access negotiations and negotiations on agriculture are strongly linked, a country is able to increase its bargaining power in market access negotiations by offering concessions on the issue of agriculture as bargaining chips. However, as shown in Chapter 3, the ability of both Canada and Japan to offer such concessions in the agricultural sector was limited during the Uruguay Round. This was because of highly defensive interest groups in the agricultural sector. For Canada, these defensive interest groups were relevant for the supply-managed industries within its agricultural sector. As a result, highly defensive

¹¹³ DOC, 1991. *U.S. Foreign Trade Highlights 1990*. United States Department of Commerce, pp.70-71, 80-81 (See: Stewart, 1993, p.414).

domestic interest groups limited the ability of both Canada and Japan to increase their bargaining power in market access negotiations by offering concessions in the agricultural sector.

Procedural power is important for a complete analysis of the bargaining power. Accordingly, the Canadian and Japanese profiles in central negotiation groups and negotiation coalitions need to be analyzed. The participation in central negotiation groups was an important factor in Canada's and Japan's bargaining power. Because of the configuration of economic and trade interests of the key players described above, Canada and Japan were members of the central Quad negotiation group. They were thus at the top of the "pyramiding" process (Deese, 2008, p.118). As Deese points out, the Quad had a very influential role in the Uruguay Round (Deese, 2008, p.117). The importance of the Tokyo agreement by the Quad members in July 1993 for the overall progress of the Uruguay Round illustrates the Quad's influence. It also illustrates the gain in procedural power for both Canada and Japan through their participation in it. Neither Canada's nor Japan's profiles in bargaining coalitions during the market access negotiations of the Uruguay Round significantly influenced their procedural power in them (see Chapter 4). As a result, the conditioning factor of participating in bargaining coalitions cannot be regarded as important for their overall bargaining power in these negotiations.

Canada's participation in the Quad increased its ideational power. Canada was able to frame its participation in the Quad in order to contribute to a reputation as an "honest broker" in the negotiations. This reputation was relevant in the negotiations on the market access and increased Canada's ideational power in them. The relevance of such power is illustrated by the negotiations outlined above. For example, Canada was able to present a "compromise solution" on the modalities of the negotiations after the Montreal Ministerial. As outlined above, this Canadian proposal attracted considerable support by other members, and Japan and Austria offered tariff concessions according to the formula proposed by Canada. This illustrates Canada's ideational power, as it was able to frame itself as an "honest broker" able to put forward "compromise solutions" for problematic negotiation issues.

Foreign policy and geostrategic considerations of a country can influence its bargaining power. However, the vast majority of interviewees pointed out that their relevance for Canada's and Japan's overall bargaining power is only very marginal. An overall analysis of these conditioning factors shows that economic power was a main factor in the overall bargaining power, more important for Japan than for Canada. Canada's procedural and ideational power was more important for its overall bargaining power in these negotiations than was the case for Japan.

Their position within the overall spectrum of the members was not a major conditioning factor of Canada's and Japan's overall bargaining power during these negotiations. In the case of Japan, this factor did play a role at the beginning of the negotiations. As pointed out above, Japan initially had the very radical position that developed countries should reduce their industrial tariffs to zero. However, facing significant criticism, it quickly changed its preferences to a less radical position. During the remaining market access negotiations of the Uruguay Round, the positions of neither Japan nor Canada in the overall spectrum can be considered as extremely radical. Accordingly, the importance of this factor for the overall bargaining power of Canada and Japan can only be considered to be marginal.

6.4.1: Overview of the non-agricultural market access negotiations during the DDA and the negotiation preferences of Canada and Japan.

The section below provides an outline of the DDA non-agricultural market access negotiations until their current state of play. In the DDA, the issue of non-agricultural market access is assigned to the negotiation group of market access. Canada and Japan have similar interests to those of the US and they share the viewpoint of other developed countries with low tariffs. They contribute to the negotiations actively according to their preferences, especially at the lower, technical level. They share information, prepare positions and co-sponsor proposals. For example, Japan is a leader on a proposal on the tariff sectoral on electronic products. Canada prepared proposals on machinery products and Japan proposed the product basket approach on tariff sectorials, a very contentious issue in non-agricultural market access negotiations (interview). Japan has defensive interests on fish products. Furthermore,

Japan continues to defend its interest on the issue of seaweed in non-agricultural market access negotiations although many other countries suggest that it should be an agricultural product. Canada and Japan belong to the Core group, an informal negotiation group formed at the 2008 ministerial meeting that comprises the EU, US, Japan, Canada, New Zealand, Australia, Norway and Switzerland. Both Canada and Japan are part of the Friends of Ambition group, a group of developed countries aiming to maximize tariff reductions in the non-agricultural market access negotiations.

Discussions at the technical level on the tariff cutting modalities were launched in 2002. These targeted the question of whether to use a formula approach or a request-offer approach. Japan was in favour of a formula approach in combination with a request-offer approach. It also supported the “zero for zero”¹¹⁴ tariff approach (Coskeran, 2012, p.350).¹¹⁵ Japan was in the interest group of developed countries “which already had low tariffs and aimed for further market access in the developing world” (Coskeran, 2012, p.350). Overall, Coskeran points out that many members supported a formula approach (Coskeran, 2012, p.351). Another important negotiation issue was the sectoral approach. For Japan this approach in itself was already a “major concession” (Coskeran, 2012, p.351). In contrast to developing countries, both Canada and Japan were in favour of a mandatory participation in

¹¹⁴ Concerning the “zero-for-zero” tariff approach, Japan submitted “a list of products which should bear zero tariffs (but insisted on excluding fisheries and forestry products)” (Coskeran, 2012, p.350)

¹¹⁵ Information on the Japanese preferences can also be obtained by pointing out the position of the Japan Business Federation Keidanren. In its “Basic Position and Recommendations for the WTO Doha Ministerial Conference”, Keidanren pointed out that a “drastic reduction in industrial tariffs” using the instruments of the request-offer formula, the formula-cut approach, peak tariff cuts, the zero-for-zero formula, a redressing of tariff escalation and “the elimination of “nuisance tariffs”, which is, for example, low tariff rates of five percent or less”. Furthermore, Keidanren stated: “We also call on the U.S. and the EC countries to bring their weighted average bound tariff rates, 3.5% and 3.6% respectively, down to the same level as Japan (1.5%), and to slash protectionist tariffs which heavily outweigh tariffs on other items-for example, those levied by the U.S. on commercial vehicles (25%) and by EC countries on some home appliances (e.g. 10-15%).” In addition, “efforts should be made to significantly boost the number of countries participating in the Information Technology Agreement (ITA)” and “the effective elimination of tariffs on a wide range of items, for example all electronics products, is necessary”. Finally, developing countries should “raise their bound rates to close to 100 percent” (Keidanren, 2001). In a WTO Mission Position Paper, Keidanren further specifies that “Japan, the US and the developed European nations should commit to zero tariff rates for all but certain sensitive products. In particular, we should agree to major reductions, including zero tariffs, for products with high tariffs of 10 percent or more (for example, US tariffs on commercial vehicles and textile products, and EU tariffs on AV machinery and automobiles).” Furthermore, Keidanren welcomes “the sector-specific zero-zero concessions proposed by the Japanese government for consumer electronics products, rubber, and rubber products, etc.” Keidanren is also in favor of an expansion of the “Chemical Tariff Harmonization Agreement (agreement among Japan and 33 other countries on tariff reduction schedules for chemical products)” (Keidanren, 2002).

sectorals (Coskeran, 2012, p.351, WTO, 2003c). Japan supported the use of flexibilities as well as “a single and simple reduction formula” at the Cancun Ministerial Conference in 2003 (MOFA, 2003b, MOFA, 2003c). During a General Council meeting in December 2003, Japan was in favour of using the Derbez text “as the point of departure” for further negotiations (WTO, 2003d).

Furthermore, in “June 2004, the US, Canada, and Hong Kong explored a ‘critical mass’ approach to eliminate tariffs in certain products”, which was a “significant compromise” for them. However, Brazil stated that as a condition for this approach progress should be made in other areas first, for example in agricultural negotiations (Coskeran, 2012, p.352). The Derbez text that resulted from the Cancun Ministerial as well as the 2004 July Framework mentioned “a non-linear formula applied on a line-by-line basis” (Low and Santana, 2009, p.91). The 2004 July Framework identified the formula, flexibilities and the sectorals as the major negotiations issues.¹¹⁶ During this phase of the negotiations, the importance of issue linkage with agriculture reappeared, for example in the negotiating position of the “mini G20” (Coskeran, 2012, p.351).

Before the Hong Kong Ministerial Conference in 2005, two options for tariff reduction were left: the Swiss formula and the ABI formula¹¹⁷ (Low and Santana, 2009, p.91). During the Hong Kong Ministerial Conference, Canada indicated its preference for “sectoral approaches on a critical mass basis” (WTO, 2005c). As a result of the Hong Kong Ministerial Meeting, negotiations on tariff concessions in the DDA are based on a Swiss formula approach.¹¹⁸ Special and differential

¹¹⁶ On the preferences of Keidanren, in a WTO Mission Position Paper of May 2004 it “calls for a zero-for-zero approach in such sectors as consumer electronics and electric appliances, and for harmonization and a zero-for-zero approach in motor vehicles, and for harmonization of textile”. Keidanren also points out that remaining NTBs “should be entirely eliminated as possible through request/offer and through sectoral and horizontal approaches”. Finally, “expanded membership of the Information Technology Agreement (ITA) should be sought and tariffs eliminated on a wide range of goods” (Keidanren, 2004).

¹¹⁷ ABI stands for Argentina, Brazil and India, the proponents of this formula. These countries “joined together against developed countries arguments, proposing a new formula (ABI) which moderates the different proposed coefficients by weighing them by each country’s tariff average. They showed that, since the tariff cuts pursued by developed countries do not weigh coefficients, they lead to higher cuts in developing countries (...)” (Tussie and Stancanelli, 2006, p.14).

¹¹⁸ As a result of the ministerial meeting, “the HKMD captured the progress in an ambiguous manner by saying that Members adopted “a Swiss Formula with coefficients” at levels that should fulfill the mandate of Paragraph 16 of the DMD. With respect to sectorals (...) Paragraph 16 of the HKMD noted that “Participation should be on a non-mandatory basis”” (Low and Santana, 2009, p.92).

treatment is also included into the formula. At this stage of the negotiations, there were three core issues of the negotiations: treatment of unbound tariffs, tariff cutting formula and flexibilities for developing countries (Santana, 2005, p.312). The emergence of the NAMA-11 coalition again illustrates the importance of issue linkage between non-agricultural market access and agriculture. As Coskeran points out, the NAMA-11 “pursued issue linkage relentlessly”. Both developed and developing countries referred to the importance of issue linkage after the Hong Kong Ministerial (Coskeran, 2012, p.353). In addition to that, paragraph 24 of the Hong Kong Ministerial declaration officially links non-agricultural market access and agriculture negotiations (WTO, 2005d). This further illustrates the extremely strong issue linkage between these issues, which is established as a “condition to further negotiations” since the adoption of the Hong Kong Ministerial declaration (Tussie and Stancanelli, 2006, p.20).

In the following negotiations, developed countries and the NAMA-11 group of developing countries continued discussions on the different levels of the coefficients of the formula (Low and Santana, 2009, p.92). The “middle ground group”¹¹⁹ tried to find a compromise solution. Negotiations on the issue of NTBs had still not shown significant progress (Coskeran, 2012, p.353). In 2007, the Chairman made an attempt to facilitate a consensus (Low and Santana, 2009, p.93). The result of the subsequent discussions was the “sliding scale”¹²⁰ (Low and Santana, 2009, p.94). Deadlock then resulted in a suspension of the negotiations (Coskeran, p.354). In the 2008 third revision of the draft non-agricultural market access modalities, the Chairman translated this into “a Swiss formula with 4 coefficients (...), where developing countries would be able to choose among 5 flexibility options” (Low and Santana, 2009, p.94).

¹¹⁹ As Wolfe points out, the middle ground group “first surfaced in 2007 proposing a middle ground between the positions of the Friends of Ambition, the developed countries that are pushing for full liberalization of market access, and NAMA-11, the developing countries that are reluctant to open their markets to manufacturing goods. Many Members of the group have relatively open economies already, or have negotiated free trade deals with their major trading partners” (Wolfe, 2009, p.20).

¹²⁰ This approach of the “sliding scale” proposed “a direct link (...) between the coefficient in the formula and the level of flexibilities available to a Member” (Low and Santana, 2009, p.94).

Overview of modalities used to reduce tariffs.

The following four modalities will be used to reduce tariffs: First, the Swiss Formula with 4 coefficients will be used (Low and Santana, 2009, p.95).¹²¹

Swiss Formula.

The formula is based on coefficients that are the main item of the negotiations. Flexibilities exclude certain tariff lines from the concessions made in the negotiations. One important question of the negotiations is to what extent flexibilities should be given to developing countries. The group of Japan, the US, the EU, Canada and Singapore is still not comfortable with flexibilities (interview). Japan also introduced the anti-concentration clause, according to which the flexibility has to be spread.

Target average formula/reduction in the average.

As a second modality, a target average formula which is not applied on a line by line basis is used. It is more flexible and is used by small and vulnerable economies as well as “Paragraph-6” countries (Low and Santana, 2009, p.97). Thirdly, a reduction in the average is used. As Low and Santana point out: “the second sentence of the fourth SVE band provides the possibility of an equivalent reduction in the average that would be based on the proposed 5 percent minimum cut on 90 percent of the lines” (Low and Santana, 2009, p.97).

Sectorals.

Fourthly, sectorals are another important aspect of the negotiations. The first proposals on the issue of sectorals were developed in 2006 (Low and Santana, 2009, p.92). By 2008, a number of specific sectors had been proposed (Low and Santana, 2009, p.96).¹²² However, substantial differences concerning the preferences of the actors still exist (Low and Santana, 2009, p.97). Japan was the proponent of sectoral negotiations on automobile and auto parts as well as on electronic and electrical goods. The negotiations on sectorals take place on a request and offer basis. Japan

¹²¹ This overview of the modalities is based on the revision of the modalities circulated on 6 December 2008 (TN/MA/W/103/Rev.3) (WTO, 2008d). It is also based on the textual report by the chairman on the state of play of the NAMA negotiations circulated on 21 April 2011 (TN/MA/W/103/Rev.3/Add.1) (WTO, 2011h).

¹²² See: WTO, 2008d. TN/MA/W/103/Rev.3. [online] Available at: http://docsonline.wto.org/gen_home.asp?language=1&_=1

proposed a more conceptual approach called the basket approach. This approach is looking at whole industries, allowing flexibilities to be applied in the whole industry (WTO, 2010c, WTO, 2011i). As Fu points out, the tensions on sectorals exist especially between the US and emerging markets like China (Fu, 2010, p.848). Emerging markets insist that participation should be non-mandatory (Fu, 2010, p.848). Accordingly, former WTO Director-general Pascal Lamy referred to “a fundamental gap in expectations in sectorals”, which he considers to be a “clear political gap”(WTO, 2011j, pp.2-3). A list of the sectoral initiatives during the non-agricultural market access negotiations of the DDA can be found in the Appendix.

Additional key negotiation issues.

Another issue in the non-agricultural market access negotiations is the extension of binding coverage (Low and Santana, 2009, pp.109-110). As Low and Santana point out, the methodology to set new bindings is an important issue in the negotiations (Low and Santana, 2009, p.111).¹²³

Non-agricultural market access negotiations also take place on NTBs. Japan supports an increase of transparency in the negotiations on this issue. For example, Japan is in favour of an enhancement of transparency in export licensing. For technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS), there should be a need for notification if there is an impact. The notification should cover more areas and more items should be included. Furthermore, the member should accept comments by interested parties afterwards. These negotiations also cover international standards. Here, Japan and the US have a position opposed to that of the EU. Another issue in this area is that of private standards, as global companies have their own standards. Concerning the NTB part, Canada co-sponsored a proposal on automobiles with the US. Japan is more defensive on the NTB part. According to interviewees, negotiations on NTBs have been constructive so far, without a clear

¹²³ For the negotiations on the extension of binding coverage, Santana states: “Probably the most difficult question with respect to unbound tariffs has been at what level the new bindings should be set. The crux of this issue is whether unbound tariff lines should be (1) marked-up, then reduced through the formula and bound or, (2) simply bound at a certain level without any cut” (Santana, 2005, pp.312-313). Furthermore, Santana points out: “Two “non-linear” mark-up approaches have been discussed. Canada and others proposed adding X percentage points (e.g. 5 points) to the applied rate, in which case the low rates would increase proportionally much more than the higher rates” (Santana, 2005, p.313).

division of opinions in different camps or coalitions (interview). Accordingly, at this technical level of NTBs, resources necessary for gaining technical expertise are important. As interviewees pointed out, in technical discussions bargaining power largely depends on having the expertise to contribute convincing ideas that solve existing technical problems (interview).

6.4.2: Analysis of Japan's and Canada's bargaining power during the non-agricultural market access negotiations of the DDA.

This section analyzes the importance of the different conditioning factors outlined in the analytical framework of this research for the bargaining power of Canada and Japan in the non-agricultural market access negotiations of the DDA. The first important conditioning factor is Canada's and Japan's economic power. Within the framework of this analysis, the economic power of an actor depends on its ability to offer bargaining chips in which other trading partners are interested. An important indicator for this ability is the openness of its economic markets to international trade. An important indicator for this openness in the non-agricultural market access negotiations of the DDA, are existing tariff barriers. As Santana points out, "most of the NAMA challenges arise from the significant divergences in the scope and level of existing commitments by WTO members. The importance of bearing this diversity in mind while examining the different issues cannot be overemphasized" (Santana, 2005, p.312). The analysis begins with an overall assessment of Canada's and Japan's ability to offer tariff concessions as a bargaining chip.

For Japan, the simple average MFN applied tariff as well as the simple average final bound tariff for non-agricultural products was 2.6% in 2011. The binding coverage for non-agricultural products was 99.7% (WTO, 2013e). As illustrated in Table 1, 82.6% of Japanese imports of non-agricultural products were duty-free in 2010. While 9.6% were subject to tariffs between 0%-5%, 6.2% were subject to tariffs between 5%-10% and 1.4% were subject to tariffs between 10%-15%. As a result, only 0.3% of total Japanese imports in 2010 were subject to tariffs between 15%-25% or higher (WTO, 2013e). For Canada, the simple average final bound tariff for non-agricultural products was 5.3%, while the simple average MFN applied tariff for

non-agricultural products was 2.5% in 2011. The binding coverage for non-agricultural products was 99.7% (WTO, 2013d). 67.4% of Canada's imports in non-agricultural products in 2010 were duty-free. Furthermore, 2.9% were subject to tariffs between 0% and 5%, while 26% were subject to tariffs between 5% and 10%. In addition to that, 0.7% of imports were subject to tariffs between 10% and 15%, while 3.1% of imports were subject to tariffs between 15% and 25% (WTO, 2013d).

As a result, Canada and Japan are only able to offer substantially fewer tariff concessions during the DDA than during the Uruguay Round negotiations. This is an indicator suggesting that the economic power of both Canada and Japan has decreased. Compared to the Uruguay Round, these countries are less able to use tariff concessions in which their trading partners are interested as bargaining chips. A complete analysis of their economic power has to include other important indicators such as the share of global GDP (PPP) and the shares of global imports and exports. Within the theoretical framework of this research, the value of concessions on tariff barriers also depends on the overall market size that they protect. As pointed out in Chapter 3, Japan's overall market size and share of global imports and exports are higher as those of Canada. The overall market size and share of global imports and exports of both Canada and especially Japan decreased from the Uruguay Round to the DDA.

The value of tariff concessions not only depends on the current economic market size that they protect, but also on the predictions of the future development of these markets. A complete analysis of Japan's and Canada's bargaining power needs to include such predictions. A large number of interviewees have pointed out that trade negotiators take such future estimations of potential economic performance into account during trade negotiations (interview). The economic markets of Canada and especially Japan are expected to experience a relative decline in performance in both short-term and long-term estimates (see Chapter 3). According to these indicators, Canada, and Japan in particular, have lost economic power in the market access/non-agricultural market access negotiations from the Uruguay Round to the DDA. The analysis of their economic power has to take into account their ability to offer tariff concessions on the sectoral level. This is important concerning the configuration of offensive and defensive economic interests of Canada and Japan as well as their

major trading partners. This factor is also related to the importance of how interested their major trading partners are in the concessions that they can offer.

In a sectoral analysis, the main shares of Japanese imports can be found in the minerals and metals sector (23.3%), the petroleum sector (18.3%) and the electrical machinery sector (11.7%). With average bound and applied duties of only 1% as well as a share of 93.3% of duty-free imports, the minerals and metals sector was largely liberalized in 2010. For the petroleum sector, the average bound tariff was 9.8% and the average applied tariff was only 0.5%. Furthermore, 97.3% of imports in the petroleum sector were duty-free. In the electrical machinery sector, the bound average tariff was only 0.2% and the applied average tariffs only 0.1%, while 97.6% of imports were duty-free. Both the non-electrical machinery sector (8.3% of imports) and the transport equipment sector (2.8% of imports) were fully liberalized, with 100% of imports being duty free. In the textiles sector (1.9% of imports) only 7.6% of imports were duty-free and the average bound and applied tariff rates were 5.6% and 5.5%. Similarly, the clothing sector (3.7% of imports) remains subject to both bound and applied tariffs of 9.2% and 9.1%, with 0% of imports being duty-free. In the leather and footwear sector (1.8% of imports) only 44.3% of imports were duty-free. The average bound and applied tariffs were 10.9% and 12%. Another well-protected sector is the fish and fish products sector (2.2% of imports) with only 5.2% of imports at duty-free level and average bound and applied tariffs at 4.9% and 5.5%. Only a limited number of sectors are still protected by relatively high tariffs.¹²⁴ According to the 2011 Trade Policy Review of Japan, examples of other products which are protected by higher tariffs are “headgear, prepared foods, vegetables, live animals, hides and skins, arms and ammunition” (WTO, 2011a, p.36).

Japan has a much more limited ability to offer tariff concessions in key sectors in the DDA negotiations than in the Uruguay Round negotiations. As pointed out above, mainly the textiles, clothing, leather and footwear as well as the fish and fish products sectors remain subject to a relatively high protection through tariffs. These sectors taken together only account for 10.5% of the total imports of the Japanese economy. As a result, the share of the imports protected by these remaining tariff barriers has been reduced from the Uruguay to the DDA negotiations. Within the

¹²⁴ For a more detailed overview of Japanese tariffs and imports, see table 33 in the Appendix.

theoretical framework of this thesis, these indicators suggest a decreased economic power of Japan because of the decreased ability to use offers of concessions of market access as bargaining chips when negotiating with its major trading partners.

For Canada, the largest shares of its imports result from the transport equipment (16.9%), the non-electrical machinery (14.5%), the chemicals (11.8%) and the minerals and metals (13.9%) sectors. With bound and applied average tariff levels of 3.4% and 0.5%, the non-electrical machinery sector was mainly liberalized. Additionally, 95.2% of imports in this sector were duty-free. Also the minerals and metals as well as chemicals sectors were highly liberalized. With regard to the minerals and metals sector, the bound and applied average tariffs were 2.7% and 1%. Furthermore, 85.6% of imports were duty-free. In the chemicals sector, the bound and applied average tariffs were 4.5% and 0.9%, while 68.8% of imports were duty-free. The more protected sectors were the transport equipment (16.9% of imports), textiles (1.7% of imports), clothing (2% of imports) and leather, footwear (2.2% of imports) sectors. In the transport equipment sector, only 13.2% of imports were duty-free and the average bound and applied tariffs were 5.6% and 5.8%. The clothing sector was the most protected sector. Average bound and applied tariffs were 17.2% and 16.9% and only 0.3% of imports were duty-free. The textiles sector was highly protected with average bound and applied rates of 10.7% and 3.8%. In the textile sector, 25.1% of imports were duty-free. Similarly, the average bound and applied tariffs in the leather and footwear sector were 7.4% and 4%. In this sector, 28.5% of imports were duty-free.¹²⁵ The most protected non-agricultural sectors in Canada are the transport equipment, textiles, clothing, and leather, footwear sectors. However, the applied tariffs protecting these sectors are low, with only the bound and applied tariffs of the clothing sector being as high as 17.2% and 16.9%. These sectors account for only 22% of the total Canadian imports. Accordingly, and as was the case of Japan, the share of the imports protected by these remaining higher tariff barriers has decreased from the Uruguay Round to the DDA.

Compared with the Uruguay Round, Canada is able to offer only a relatively small reduction of goods tariffs, protecting a smaller share of imports of markets that represent a reduced share of global imports during the DDA. The overall size of the

¹²⁵ For a more detailed overview of Canadian tariffs and imports, see Table 34 in the Appendix.

Canadian market is expected to decrease. These indicators show that Canada's economic power has decreased from the market access negotiations in the Uruguay Round to the DDA non-agricultural market access negotiations. This is because of a decreased ability of Canada to offer tariff concessions that other main trading partners are interested in. The value attached to these tariff concessions is lower than it was during the Uruguay Round.

Both Canada and Japan have thus lost relative economic power from the Uruguay Round to the DDA. A direct comparison between Canada and Japan shows that the latter's decline in economic power has been stronger than that of Canada. This is illustrated by the indicators of its decreased ability to offer tariff concessions, its decreased overall market size and its reduced share of global imports and exports. As pointed out in Chapter 3, Japan had been considered a strongly growing economy with significant potential during large parts of the Uruguay Round negotiations. Many GATT members were interested in negotiating for increased market access with Japan, despite the fact that economic predictions were less positive since the early 1990s (IMF, 1993). Predictions during the time of the DDA negotiations about the future growth of the Japanese market are not optimistic. They predict a strong future decline of Japan's market size. Japan's future decline is estimated to be stronger than that of Canada. This further decreases the value of the remaining tariff concessions that Japan can offer.

Another conditioning factor is the importance of domestic politics. The ability to use concessions in the negotiations as bargaining chips and the value associated with these concessions depends on the configuration of economic interests at the domestic level of major trading partners. Furthermore, this factor is important because of issue linkage and the ability and willingness to make concessions on other issues. As pointed out in Chapter 3, non-agricultural market access negotiations and negotiations on agriculture are strongly linked in the DDA. This strong link can also be illustrated by the overview of negotiations on non-agricultural market access during the DDA provided above. Several WTO members stated that progress on non-agricultural market access depends on the results of the agricultural negotiations already in 2004. This strong issue linkage is also illustrated by the negotiating position of the NAMA-11 since the Hong Kong Ministerial meeting. Furthermore,

the Hong Kong Ministerial declaration officially linked the levels of ambition of negotiations on agriculture and non-agricultural market access. It is thus clear that the issue linkage pointed out in Chapter 3 is especially relevant for the negotiations on non-agricultural market access.

Both Canada and Japan could counterbalance their decreased ability to make concessions on non-agricultural market access negotiations by offering concessions in the form of tariff reductions protecting their agricultural markets. This could increase their economic power and allow them to use these agricultural concessions as bargaining chips. However, as pointed out in Chapter 3, both Canada and especially Japan are unable to offer such tariff concessions because of strong defensive domestic interests in their agricultural sectors. The continuing defensiveness of the agricultural sector and strong influence of the Japanese agricultural lobby reflects the long period of political stagnation and the slow progress of necessary political and structural reforms in the Japanese agricultural sector. The Canadian domestic interest groups are especially important in the case of Canada's supply-managed industries. As a result, domestic politics reduce both Canada's and Japan's ability to offer agricultural concessions in order to counterbalance their decrease in economic power in non-agricultural market access negotiations during the DDA.

As pointed out in Chapter 2, the participation in negotiation coalitions and central negotiations groups can be an important conditioning factor of bargaining power. Neither Canada nor Japan form part of the most central negotiations groups during the DDA. The old Quad does not exist and the new top four to five member negotiation groups do not include Canada or Japan. Furthermore, countries can use their activity in coalitions to increase artificially the economic power they represent in more central groupings. They can profit from participating in a negotiation coalition that has a common negotiation position that is similar to the preferences of the country. Canada and Japan could thus counterbalance their relative loss in economic power through increasing their procedural power while participating in such coalitions during the DDA. To what extent were they able to use coalitions in order to increase their procedural power in the negotiations? Canada and Japan participate in the Friends of Ambition coalition during the DDA non-agricultural

market access negotiations. However, the Friends of Ambition are an informal coordination group rather than an institutionalized negotiation coalition with clear common negotiating position. The group also only has a low degree of internal cohesion. These characteristics limit its overall influence. Because of New Zealand's prominent profile within the group, neither Japan nor Canada are able to be leaders in the group. As a result, both Canada's and Japan's ability to increase their bargaining power in the non-agricultural market access negotiations as members of this coalition is only limited.

Ideational and normative power is an important conditioning factor of bargaining power. The increased importance of new norms is relevant for the negotiations on the issue of non-agricultural market access. As pointed out in Chapter 4, norms of fairness, equality and poverty reduction have gained importance during the DDA. This increased importance has contributed to a change of position of developing countries which are now not only negotiating for absolute gains in market access but also increasingly asking for higher relative gains compared with developed countries. These norms have provided developing countries with increased normative resources to support their negotiating position. As a result, the relative ability of developed countries to use normative resources in support of their negotiation preferences has decreased. This can also be illustrated by the overall decline in normative power of developed industrialized countries participating in the OECD and the decreased ability of the OECD to export its norms during the DDA. Within the theoretical framework of this thesis, the ideational power of developed countries when negotiating with developing countries in market access/ non-agricultural market access negotiations has decreased from the Uruguay Round to the DDA. However, this is important only for developed countries in general and cannot be attributed to Canada and Japan alone. As a result, its relevance for the overall bargaining power of Canada and Japan is only limited.

The absence of Canada from the most central negotiation groups in the DDA has decreased its ideational power in the non-agricultural market access negotiations. Canada was able to frame its participation in the Quad in order to contribute to a reputation of being an "honest broker". This increased its ideational power and contributed to its overall bargaining power in the negotiations. However, the absence

of Canada from these central negotiation groups during the DDA has decreased Canada's ability to profit from this reputation. It resulted in a relative decrease of Canada's ideational power in the negotiations on the issue of non-agricultural market access. As pointed out in Chapter 4, the proximity of the normative biases of Canada to the key players has decreased from the Uruguay Round to the DDA. This is due to the more prominent role of emerging markets, which have different normative biases than Canada. This further decreases Canada's ability to make use of its reputation of being an "honest broker", which further decreases its ideational power. As pointed out above, Canada was able to promote "compromise solutions" in the Uruguay Round. As a result, this reputation was relevant for its bargaining power in market access negotiations. Its decreased ability to profit from this reputation thus decreases its overall bargaining power in market access/non-agricultural market access negotiations from the Uruguay Round to the DDA.

Foreign policy and geostrategic considerations can be an important conditioning factor of the bargaining power of a country in multilateral trade negotiations. How relevant and important are these considerations for Canada's and Japan's overall bargaining power in these negotiations? Interviewees pointed out that the importance of this factor is only very marginal. As pointed out in Chapter 4, these considerations can affect Japan's and Canada's ideational power by decreasing their ability to pursue tactics of creating certain reputations as shown in the cases of Brazil and India. However, this factor is not important for their bargaining power in the negotiations on the issue of non-agricultural market access.

Also the position of a country in the overall spectrum of members can influence its bargaining power. However, neither Canada nor Japan had an extremely radical overall negotiating position in the non-agricultural market access negotiations during the DDA. As a result, this factor can only be regarded as a background factor for their overall bargaining power during these negotiations.

6.5: Conclusion.

This chapter has analyzed the relative importance of the different conditioning factors accounting for the bargaining power of both Canada and Japan during the market access/non-agricultural market access negotiations of both the Uruguay Round and the DDA. It is now necessary to compare the importance of these conditioning factors for their bargaining power in this issue area from one round to the other. This allows analysis of to what extent and why the overall bargaining power of both Canada and Japan in this issue area has decreased. It is also necessary to compare the findings for Canada and Japan.

Japan's economic power was more important during the Uruguay Round for its overall bargaining power than was the case for Canada. Both Canada and Japan have lost economic power from the market access negotiations of the Uruguay Round to the non-agricultural market access negotiations of the DDA. Both Canada and especially Japan committed to substantial reductions in tariffs on industrial products during the Uruguay Round. The relative size of the economic markets of Canada and Japan has decreased from the Uruguay Round to the DDA. This decrease has been relatively larger in the case of Japan than in the case of Canada. Furthermore, growth estimates of especially Japan's economic market protected by the potential tariff concessions are not optimistic. This reduces Japan's economic power even today. In contrast, the economies of India and China are expected to grow more rapidly, which already increases their bargaining power in current negotiations. In terms of tariff concessions protecting key market shares, both Canada and especially Japan have less to offer in the non-agricultural market access negotiations of the DDA than they did during the Uruguay Round.

Domestic politics condition both Canada's and Japan's overall bargaining power in market access/non-agricultural market access negotiations in both rounds. Defensive domestic interest groups in the agricultural sector of Japan and the supply-managed agricultural sector of Canada prevent them from using these sectors as bargaining chips in the DDA negotiations. This prevents both Canada and Japan from counterbalancing the relative decline in economic power through issue linkage. Both Canada and Japan are unable to use their agricultural sectors as additional bargaining

chips in order to demand concessions in the non-agricultural market access negotiations of the DDA.

Coalitions and negotiating groups are central for the bargaining power of Canada and Japan in these negotiations. The old Quad has become obsolete. Within the Quad, Japan had a similar position to the one of the US and it could thus identify itself. However, owing to the changing configuration of basic economic interests between the key players, the exclusive network of the Quad is no longer needed. Both Canada and Japan are now unable to profit from being members of the most exclusive negotiating groups. This has resulted in a relative decrease of their procedural power. Now both Japan and Canada have to identify other countries that have the similar interests. However, they were both unable to counterbalance this relative loss of procedural power through their participation in new negotiating coalitions. The loss of procedural power has been higher for Canada and is more significant for Canada's overall decline in bargaining power. With regard to ideational power, especially Canada was able to profit from its participation in the Quad during the Uruguay Round., as it contributed to a reputation of Canada as an "honest broker" in the negotiations. Furthermore, its ability to profit from this reputation declined from the Uruguay Round to the DDA through the changed proximity of its normative biases to the most important players from one round to the other.

What does this analysis say about the validity of the hypothesis of this research for this case study of market access/non-agricultural market access negotiations? Three of the five conditioning factors are especially important: economic power, domestic politics and activity in central negotiation groups, as well as bargaining coalitions, accounted largely for the decrease of overall bargaining power of both Canada and Japan from one round to the other. Ideational power accounted only to a limited extent for the decrease of their bargaining power. According to the vast majority of the interviewees, this is because of the relatively limited significance of this conditioning factor when compared to economic power, domestic politics and activity in negotiation groups as well as bargaining coalitions. Foreign policy and geostrategic considerations were not an important conditioning factor in Canada's and Japan's bargaining power in the negotiations on this issue. Furthermore, also the additional factor of their position in the overall spectrum of the membership can only

be considered to be a background factor for their overall bargaining power in both rounds.

This chapter has analyzed the conditioning factors of Canada's and Japan's bargaining power on the negotiation issues of market access/non-agricultural market access in both the Uruguay Round and the DDA. It has also provided a comparison of the overall bargaining power of both Canada and Japan in the negotiations on this issue in both rounds. It has thus contributed to the general analysis of Canada's and Japan's bargaining power by providing further detail to the analysis and by including insights on the idiosyncratic dynamics of market access based multilateral trade negotiations.

Chapter 7: Conclusions.

The aim of this thesis was to analyze the reasons for the change in bargaining power of Canada and Japan from the Uruguay Round to the DDA negotiations. In order to do this, the thesis determines the conditioning factors accounting for Canada's bargaining power during the Uruguay Round and those accounting for its bargaining power during the DDA. It weighs up each of these factors against each other and compares them across the rounds. It provides the same analysis for Japan. Furthermore, it compares the developments outlined in these two country studies. What is the outcome of this analysis?

The first section outlines to what extent the hypothesis of this research is valid. It weighs up the importance of each of the conditioning factors mentioned in the hypothesis against each other. It compares the relative importance of each of these factors for Canada and Japan. The basic argument of the whole thesis is that bargaining power (i.e. the capacity to exert influence in the negotiations and to shape them according to one's own preferences) in multilateral trade negotiations comes from being "relevant" for other players, especially the main players (such as the EU and US). Bargaining power comes from being "relevant" or "needed" by other players, either due to specific resources one has, or due to preferences that fit well with a general consensus or at least the preferences of the other most important players. The basic analysis of the thesis is thus divided into two fundamental steps: first, it analyzes how Canada and Japan themselves have changed from the Uruguay Round to the DDA (for example, with respect to negotiation resources, economic size, etc.). In a second step, it analyzes how the world has changed around these countries. A second section presents additional findings and conclusions on the theoretical level of bargaining power in multilateral trade negotiations. A third section provides an outlook for further research.

Economic power.

Market size and relative market openness are a significant conditioning factor of the bargaining power of Canada and Japan and are important for explaining their decline in bargaining power from the Uruguay Round to the DDA. Within the theoretical framework of this thesis, economic power is analyzed by different economic indicators. These include, for example, the share of global GDP, the share of global imports, the share of global exports and the degree of openness to international trade of each sector, such as the remaining tariff barriers in trade in goods. The basic indicators for economic power are the general size of the market of a country and what that country is still able to offer as bargaining chips in the negotiations. As pointed out in Chapter 2, bargaining power is linked to how much a negotiating partner needs the concessions that another negotiating country can offer.

In comparison with the Uruguay Round, both Japan and Canada are now more distant from the new centre of gravity of market access negotiations of the DDA (between the traditional main players and the emerging markets, which have become new important players). Japan and Canada have already largely opened up their markets on non-agricultural market access. Their main remaining defensive interests are the defence of their lumber project as well as the fisheries, forestry and leather industries. Accordingly, they are not notably defensive on non-agricultural market access. They could make concessions on beef and, in agriculture, on rice. As noted in Chapter 3, the Japanese economy has especially weakened from the Uruguay Round to the DDA. The Canadian economy has also experienced a slight weakening from one round to the other. Furthermore, Japan does not have as many major stakes in the DDA as it did during the Uruguay Round. The importance of this is increased by the exclusion of three of the four Singapore issues. The new main interests lie with the EU and the US that demand import and tariff concessions from emerging markets such as Brazil, India and China. These factors have also reduced Canada's and especially Japan's ability to make credible threats in the negotiations. For example, their ability to threaten to withhold relevant market access concessions that other key players are interested in has decreased.

As a result, for non-agricultural market access negotiations, both Japan and Canada are “not a problem” in the current DDA negotiations (interview). The basic political and economic configuration of interests among the key players has changed from the Uruguay Round to the DDA. Examples of crucial problems are that the US, as well as a number of developing countries (such as the NAMA-11 coalition), are opposed to the non-agricultural market access and agriculture deals on the table. The EU is in a similar position to that of Japan and Canada, and, as interviewees pointed out, “everybody dropped off the fight” (interview). The main confrontation is now between the US and the emerging markets, while “Japan and Canada are waiting to accept the outcome of the negotiations” (interview). The importance of south-south trade has strongly increased. South-south trade now accounts for 40% of developing countries’ exports (Santana, 2005, p.316). It is the task of the DDA to regulate this new configuration of economic and trade interests (interview). As stated in Chapter 6, this changing configuration can also be illustrated by the specific negotiations on sectorals, where tensions exist between developed countries and emerging markets, especially between the US and China. However, it has to be noted that the main sectoral negotiations have not yet started.

The decline of the economic power of both Canada and Japan has been described by the large majority of interviewees as a very important conditioning factor of their bargaining power. It can thus be considered as one of the main reasons for their decline in overall bargaining power from the Uruguay Round to the DDA. This is true especially in the case of Japan. As Japan is a by far larger market, its overall bargaining power depends on its economic power in particular. Japan’s decline in economic power is an extremely important factor explaining its overall decline in bargaining power.

The strong decrease of Japan’s economic power should be considered in the context of the general political and economic stagnation over the past two decades. The period from the start of the 1990s has often been described as a “lost decade” for Japan, or even as “lost two decades”. In addition to Japan’s marked decrease in market size and reduced importance as a key trader, this stagnation has also resulted in a continued industrial policy focusing on the exports of the manufacturing sector. As a result, the Japanese services sector has had a relatively low productivity growth.

The political stagnation becomes apparent, for example, from the slow progress on necessary domestic political reforms. The importance of this factor for Japan's profile in the DDA is apparent at the domestic level.

A complete analysis of the economic power of an actor has to take into account estimates of its future economic development. This future economic development is important for the bargaining process of multilateral trade negotiations already today. The argument behind this is that market concessions, for example in the form of reductions of bound tariffs, remain permanent. However, their future value depends on the future growth of the market to which these concessions refer. If tariff concessions are offered for a market which is considered to grow strongly, this increases the value of these concessions in current trade negotiations. This is because once bound tariffs are reduced as a concession the resulting increased market access remains permanent regardless of any future economic growth. Several interviewees have stressed the importance of such future estimates of economic development for trade negotiations.

The markets of Canada and Japan are not projected to grow substantially. This leads to a decrease in economic power compared with emerging markets such as India and China whose economies are expected to grow substantially. Japan was considered to be a market of substantial future growth especially during the early Uruguay Round and it increased its economic power then. Interviewees even made reference to a certain "euphoria" linked to the estimated future potential of the Japanese economy (interview). As an interviewee points out, "Japan was seen as the China of today" during large parts of the Uruguay Round (interview). Note, however, that Japan's estimated growth was less optimistic during the early 1990s. During the DDA, Japan could not profit from similar projections of increased economic growth. This analysis suggests that the estimated future economic development is important for the economic power of negotiators already in current negotiations, which could be an important aspect for future research on a single theoretical framework of bargaining power in multilateral trade negotiations.

Interest groups and decision-making structures on the domestic level.

Domestic politics are an important factor conditioning Canada's and Japan's bargaining power. It is analyzed with different indicators within the theoretical framework of this thesis, such as the ability and willingness to make concessions in relevant sectors. Additional related indicators are the degree of defensiveness and influence of domestic interest groups, and the analysis of institutional links between influential domestic interest groups and trade policy decision-makers. Domestic politics also affect the bargaining power of both Canada and Japan through issue linkage. Issue linkage illustrates the importance of the configuration of the economic interests of interest groups at the domestic level.

The importance of domestic interest groups was demonstrated in particular by Japan's bargaining power in the anti-dumping negotiations of the Uruguay Round and DDA. Owing to the strong linkage between anti-dumping and market access, Japan was able to offer concessions in market access negotiations as bargaining chips in the anti-dumping negotiations. This increased Japan's overall bargaining power in the anti-dumping negotiations during the Uruguay Round in which the US and other trading partners were interested in obtaining market concessions from Japan. These countries were more willing to take into account Japan's concerns on anti-dumping, which was one of Japan's main priorities. Because of issue linkage, domestic interest groups were one of the main conditioning factors in Japan's bargaining power in the anti-dumping negotiations in particular during the Uruguay Round.

In addition, domestic interest groups in both Canada and Japan have been defensive for their agricultural sectors (in the case of Canada the argument is for supply-managed industries). This can be observed in the Uruguay Round and can still be observed in the DDA. Both Canada and Japan are still - for domestic political reasons - unable to provide significant concessions in these sectors and are unable or unwilling to use them as bargaining chips. The continuing defensiveness of these sectors does not necessarily decrease their bargaining power, but certainly prevents them from using these sectors to increase it in the DDA. If domestic political reasons permitted, both Canada and Japan could offer additional concessions and would thus have a new way of increasing their leverage. This is true in particular for negotiations

in the area of non-agricultural market access negotiations. Non-agricultural market access and agriculture have been directly linked since the adoption of paragraph 24 of the Hong Kong Ministerial declaration. The domestic politics of the agricultural sectors in Canada and Japan have to be included in their overall profile in the Uruguay Round/DDA negotiations.

Domestic defensive interests in the agricultural sector have to be further developed in the case of Canada. They mainly involve the supply-managed industries sector within the Canadian agricultural market. Canada does have significant offensive agricultural interests in the rest of its agricultural market. Because of the existing offensive agricultural interests, the continuing defensiveness of the supply-managed industries also decreases Canada's overall credibility in the DDA negotiations on agriculture. It decreases Canada's ability to make use of coalitions, such as the Cairns group, to increase its bargaining power. Within the framework of this analysis, this loss of overall credibility can result from domestic politics. It can occur if negotiators only have very limited domestic political support for certain concessions in an issue area because of domestic political interests. For Canada, the continuing limited domestic support for concessions in the supply-managed sector, in combination with offensive interests in other agricultural sectors, caused an ambiguous negotiating position. This continuous ambiguity has resulted in a loss of overall credibility and decreased Canada's bargaining power in the negotiations on agriculture. This is an example contradicting Schelling's conjecture that weakness in negotiations, for example due to limited domestic political support or domestic ratification constraints, results in an increase of a negotiator's bargaining power.

Many interviewees stressed the importance of domestic politics and the resulting ability and willingness of governments to offer market access in certain sectors as concessions. This factor's importance has also been demonstrated through its relevance for both Canada's and Japan's ability to make use of issue linkage. It can be considered to be an especially important factor influencing their bargaining power.

Additional factors in the analysis at the domestic level are domestic cohesion as well as the domestic institutions themselves. Existing domestic institutional and decision-

making factors reinforce defensiveness and make it easy for domestic interest groups to influence trade officials. Domestic institutional structures, such as formal and informal consultation channels in Canada, continue to help defensive interest groups, such as the supply-managed industries, have influence on trade policy decision-makers. The Japanese electoral system and political connections of defensive agricultural groups such as JA continue to raise the influence of the Japanese agricultural lobby. However, neither these domestic structures, nor the level of domestic cohesion, for example among Canadian provinces, have drastically changed from the Uruguay Round to the DDA. In the absence of a drastic change, these factors cannot be considered to be major reasons for the change in bargaining power of Canada and Japan from one round to the other. In the case of Japan, the lack of drastic change also illustrates the importance of Japan's political stagnation over the last two decades. The slow progress of necessary domestic political reforms has prevented a more drastic change in the Japanese domestic institutions and decision-making structures. Such a change would have been an additional possibility to decrease the influence of Japan's defensive agricultural lobby. Furthermore, several interviews stressed that the overall importance of domestic institutions and decision-making structures themselves as conditioning factors of Canada's and Japan's bargaining power is marginal.

Activity in country coalitions and central negotiation groups.

The third conditioning factor is the institutional design of the GATT/WTO multilateral trade negotiations, and relates to the participation in negotiation groups and coalitions. An important point here is that both Canada and Japan have disappeared from the top four to five groups in the "pyramiding" process of decision-making. As an interviewee pointed out, "Canada and Japan were long able to identify themselves with the other countries in the Quad that had similar positions". However, in the DDA they now "have to find and join new people that have similar preferences" (interview). The old "club model" has disappeared and the old Quad has been substituted by other central negotiation groups, such as the G-4 or the FIPs. This reduces Canada's ability to play its traditional role of an "honest broker" and to have a leading role in the negotiations. The participation in the Quad enabled both

Canada and Japan to profit from the exclusive participation in these central negotiations. It enabled them to profit from an asymmetry of information that existed between these most central groups and the remaining membership. Their participation in the Quad also allowed them to gain important expertise in the negotiations. For example, this participation was important in Canada's and Japan's bargaining power in anti-dumping negotiations. Japan was able to increase its bargaining power and to gain information through its participation in an exclusive negotiation group including three of the four principal users of anti-dumping action.

The participation in coalitions has determined Canada's and Japan's procedural power as well. In the Uruguay Round, Canada profited from information exchange and a gain in expertise by participating in the Café au lait/de la Paix group. Furthermore, it was able to increase its bargaining power by participating in the Cairns group. This is because of its ability to profit from information exchange within the coalition. Despite limits in the coalitions' cohesion, the Cairns group was a highly influential player in the negotiations, with a significant economic weight. The resulting gain in bargaining power for Canada was, however, limited by the low overlap of Canada's preferences with those of the group and Canada's limited ability to assume a clear role of leadership within the coalition. Neither Canada nor Japan were able to increase their bargaining power by participating in the APEC or OECD. These international organizations did not have the profiles of specific bargaining coalitions in multilateral trade negotiations. Canada and Japan were able to profit from an information exchange and the exchange of policy-specific research and expertise through their participation in the OECD. However, the fact that the OECD did not have the profile of a negotiating coalition with common preferences on the issues of the negotiations prevented them from gaining additional bargaining power.

While emerging markets such as Brazil and India have established coordinator roles in newly emerged developing country coalitions during the DDA, Canada and Japan did not seem to play similarly leading roles in coalitions. The general influence of the Cairns group has decreased from the Uruguay Round to the DDA. This is in part due to the increased influence of the G20 coalition. This reduces the overall potential gain of bargaining power for Canada. Furthermore, Canada does not have a clear position of leadership in the group, as it had to compete with Australia, which

provided substantial research expertise and information within the group. Finally, the group does not seem to represent the “natural” interests of Canada’s economy. This is illustrated by its inability to fully join the proposals of the group during the DDA, for example as a result of the domestic influence of Canada’s supply-managed industry. Another example is Canada’s inability in the DDA to profit from a coalition providing an information exchange and increase in legitimacy, as was the case when participating in the *Café au lait/de la Paix* groups.

Japan’s gain of bargaining power by participation in the FANs coalition in anti-dumping negotiations is limited. This is due to the following reasons. Major players such as China are not members of the coalition. The low internal cohesion and the “disintegration” of the coalition during the DDA weakened the overall negotiating influence of the FANs group. Another reason is that Japan’s position in the coalition is considered to be very radical by other members. This results in a very low overlap of preferences of Japan and the coalition. This reduces Japan’s ability to make use of its official coordinator position in the FANs. In contrast, Japan is able to increase its bargaining power through its participation in the G-10 coalition. The G-10 is an influential coalition and one of the major players in the agricultural negotiations of the DDA. Japan is by far the largest market within the coalition. The cohesion of the G-10 is relatively high and there is a strong overlap of the preferences of Japan and the negotiating position of the coalition. Japan’s ability to increase its bargaining power is only reduced because it does not have an official role as a clear representative or coordinator because of Switzerland’s leadership in the coalition.

An example of a group in which both Canada and Japan participate during the DDA is the Friends of Ambition coalition. However, it cannot be regarded as a clear negotiating coalition, as it only cooperates loosely in the negotiations, does not understand itself as true a coalition and as its members have a number of differences in their positions. Neither Canada nor Japan are able to profit from a leadership position within the Friends of Ambition. The resulting increase in bargaining power for them is small. Canada and Japan are unable to gain bargaining power through their participation in APEC owing to its lack of a profile as a bargaining coalition with a clear common position on the issues of the negotiations. Canada and Japan also participate in the Colorado group. Because of the Colorado group’s profile as an

informal coordination group, and its decreased influence as a coalition after the launch of negotiations in trade facilitation, the gain of bargaining power of both Canada and Japan through their participation in it is only limited. Furthermore, they were not able to gain bargaining power as members of the Friends of Environmental Goods coalition because of the limited progress of the negotiations on environmental goods and their lack of leadership status within the coalition. Especially Japan is unable to profit from the coalition, as the overlap between Japan's preferences and the position of the coalition is minimal. The gain of bargaining power for Canada and Japan by participating in the Joint Proposal Group is small because of the low degree of cohesion of the group. Japan's preferences in particular had limited overlap with those of the group. Neither Canada nor Japan were able to increase their bargaining power through their participation in the OECD since it is a mere forum for policy formulation and has no influence as a negotiating coalition.

Overall, a number of differences about the impact of coalition activity on the bargaining power of Canada and Japan become apparent. The profile of important coalitions in which Canada participated during the Uruguay Round have decreased in the DDA. Its ability to increase its bargaining power through its participation in new coalitions during the DDA negotiations is only limited. Japan was profiting from its central negotiating position in the Quad but did not focus on increasing bargaining power through participation in official negotiation coalitions during the Uruguay Round. It was also unable to increase its bargaining power substantially by participating in new coalitions during the DDA. Canada's and Japan's limited ability to profit from new coalitions reflected their not being leaders of the groups, a loosely defined degree of cooperation, limited cohesion of the coalitions or an only limited level of overlap of their preferences with the groups' positions. In the case of Japan, however, there is the exception of the G-10. Japan's participation in the G-10 does result in a gain of bargaining power during the DDA.

A large number of interviewees also stressed the importance of both the participation in the most central negotiation groups as well as in bargaining coalitions as a very important conditioning factor of the bargaining power of Canada and Japan. This factor is especially important for Canada, which is a much smaller market than Japan. Canada's smaller economic power made its bargaining power in the Uruguay

Round based more on participating in central negotiation groups and bargaining coalitions. This participation enabled it to be an influential “honest broker”. The importance of the reputation of “honest broker” is analyzed further below. In contrast, Japan did not substantially profit from official coalitions during the Uruguay Round. Furthermore, while Canada was not able to gain bargaining power from new coalitions, Japan was able to profit from its participation in the G-10. The relative decline in bargaining power resulting from this factor is thus higher and more important for Canada than it is for Japan.

Ideational power.

This research has assumed that norms and ideas play an important role for the bargaining power of a negotiator and that this is important in explaining Canada’s and Japan’s relative decline in bargaining power. For example, the ideational power of an actor can be influenced through the framing of ideas, existing norms or the logic of appropriateness in multilateral trade negotiations. On ideational power, new norms such as internal transparency have become more important and have influenced decision-making processes in the WTO. The old “club model” that both Canada and Japan profited from is not accepted as an appropriate way of decision-making by the majority of WTO members during the DDA. The change of the institutional design of central decision-making, which resulted in a relative loss of procedural power for Canada and Japan, is also caused by a change of the prevailing norms among GATT/WTO membership. Canada could increase its ideational power through participation in the Quad and benefited from its reputation as “honest broker” in the Uruguay Round. This strengthened the legitimacy of Canada and helped to increase its influence in the negotiations. The disappearance of the Quad and the end of the old “club model” made Canada less able to profit from it as a source of these reputations and increased legitimacy. This decreased its ideational power from the Uruguay Round to the DDA.

The evolving norm of fairness as well as the focus on development have played an important role during the DDA. The new norms have limited the ability of developed countries such as Canada and Japan to translate normative resources into compulsory

or coercive power. Because of these new norms, they are less able to shape the agenda, to propose new issues or to “frame” negotiation issues according to their own preferences. While this development affects all developed countries in general, it is important for the ideational power of Canada and Japan. Also reputations and the framing of ideas play an important role. Emerging markets such as Brazil and India have developed strategies to establish reputations of being developing country value representatives, regional leaders and of challenging the traditional systemic power balance of the GATT. These reputations increase their ideational power by strengthening the legitimacy of their demands. They can also increase their procedural power as they allow these emerging markets to play leading roles in developing country coalitions. Canada and Japan do not dispose of such normative resources. This results in an overall relative loss of normative and procedural power for both countries compared with that of these emerging markets. However, note that the strategies of these emerging markets are mainly based on self-images and that their profiles in the negotiations still remain largely reactive to established developed country majors. Neither Brazil nor India have an ability to shape outcomes in the negotiations or to shape the agenda similar to the EU or US.

Furthermore, these emerging markets are now playing a crucial role in the most central negotiation groups of the DDA. New central players with very different normative biases have emerged during the DDA. As a result, the proximity of the normative biases of Canada and Japan to the most important players has changed from the Uruguay Round to the DDA, which has reduced their bargaining power. For example, the changed proximity has decreased especially Canada’s ability to fulfil its role of being an “honest broker” in the negotiations. During the Uruguay Round, both Canada’s and Japan’s normative biases were close to those of the main players, especially the US and EU. These normative biases are illustrated by their roles as OECD members. Canada was an “honest broker” between the key players of the negotiation round, increasing its bargaining power. During the DDA, however, Canada’s normative biases from its OECD membership reduce its ability to play such a role, which reduces its bargaining power. This is because a number of the new key players such as Brazil, India and China have different normative biases from those of Canada. This also raises an interesting question on the future strategy of the middle powers of Japan and Canada in multilateral trade negotiations. What is the

best strategy for developed country middle powers such as Japan and Canada for the proximity of their normative biases? In order to preserve their bargaining power, should they pursue a strategy of taking a middle-ground position between the newly emerged blocs? Or should they continue to pursue a strategy of following the traditional major developed powers such as the US and the EU?

What is the overall importance of these factors of ideational power for the bargaining power of Canada and Japan in both rounds? Canada was able to increase its ideational power in the Uruguay Round through its reputation of being an “honest broker” in the negotiations. This contributed to its ability to exert influence in the Uruguay Round in particular. However, the absence of the old decision-making mechanisms of the “club model” and of the “Quad” have decreased Canada’s ability to profit from such an increased legitimacy and such a reputation in the DDA. For the other factors related to ideational power outlined above, the large majority of interviewees stressed that these factors' importance is minimal. They have only affected the bargaining power of Canada and Japan at the margins. This is also because the increased importance of the norms and the strategies of emerging markets to create reputations do not specifically affect the bargaining power of Canada and Japan. They affect rather the relative bargaining power of all developed countries. Accordingly, the overall importance of ideational power as a factor explaining Canada’s and Japan’s relative decline in bargaining power can only be considered as small.

Foreign policy objectives and geo-strategic considerations.

This research has also assumed that foreign policy objectives and geo-strategic considerations play an important role in determining the bargaining power of Canada and Japan. The foreign policy objectives of emerging markets such as Brazil and India to become regional leaders have certainly contributed to their increased normative and procedural power pointed out above. In the case of Canada and Japan, foreign policy objectives and geo-strategic considerations reduce their ability to pursue a similar strategy and to try to increase their ideational power through reputations as global powers or leaders of other countries. However, for Japan’s and

Canada's overall bargaining power, these factors cannot be considered to be major. This was confirmed by the vast majority of interviewees. They cannot be considered major factors that explain Japan's and Canada's decline in bargaining power from the Uruguay Round to the DDA.

Importance of the position of a particular country in the spectrum of the overall membership.

In addition to these basic conditioning factors, the importance of the position of a particular country in the spectrum of the overall membership of multilateral trade negotiations remains. The analysis of this research has shown that bargaining power also depends on the relative position of a country in the overall membership. This point refers to how radical the objectives of an actor in multilateral trade negotiations are. If the preferences of an actor are considered very radical compared with an existing consensus among other members, or at least large parts of the membership, the bargaining power of the actor is reduced. However, the bargaining power of the actor increases if the preferences are consistent with such a consensus or an opinion shared by many members.

Chapter Five makes the basic point that the structure of anti-dumping use, as well as the configuration of the preferences of the major players or "stakeholders" in anti-dumping have fundamentally changed from the Uruguay Round to the DDA. During the Uruguay Round, many countries, and especially Japan, had been victim of long abuse of anti-dumping measures with trade distorting results. The Uruguay Round was seen by many players as a necessary opportunity to strengthen further the rules on anti-dumping in order to end "illegal" use of anti-dumping measures which had occurred in earlier rounds. Japan was able to profit from a shared belief among members that rules on anti-dumping had to be tightened. Accordingly, its preferences in the negotiations were close to a generally perceived need for a new systemic contribution to a framework on rules on anti-dumping.

During the DDA, however, the picture has changed. Many new users of anti-dumping action emerged and the configuration of preferences among members grew

more complex. There was no clearly perceived need among members to tighten anti-dumping rules further. Japan's preferences remained largely unchanged owing to a perceived lack of discipline as a result of the Uruguay Round. Japan's view is considered to be radical in the DDA negotiations. The basic point is that Japan, given the changes that occurred in anti-dumping usage, has now further distanced itself from the preferences of the other major players and has lost bargaining power as a result. As WTO officials point out when referring to Japanese negotiators in the anti-dumping negotiations of the DDA: "They will not get what they want" (interview). This radical negotiating position has also limited Japan's ability to increase its bargaining power in anti-dumping negotiations during the DDA through its participation in coalitions such as the FANs group. Japan is perceived as very radical and "not too supportable" by other FANs members (interview). As a result, Japan circulates a number of more radical proposals on its own without the support of the other FANs group members.

Validity of the hypothesis.

In conclusion, the hypothesis of this research can be considered to be partially confirmed. Three of the five basic conditioning factors analyzed in this research can be regarded as especially important. Canada and Japan have mainly lost bargaining power owing to a relative decrease in their economic power, a lower profile in central negotiations groups as well as coalitions, and domestic politics, which continue to prevent them from using their sensitive agricultural sectors as new, additional bargaining chips in the current negotiations. The decline in economic power is more important in explaining Japan's decrease in bargaining power than it is for Canada's. For Canada the decreased ability to gain bargaining power by participating in central negotiation groups and coalitions is especially important for explaining its decreased bargaining power. Accordingly, it is more important for explaining Canada's overall decrease in bargaining power than it is for Japan. In contrast, a loss of ideational power was not a major reason for the decrease of Canada's and Japan's overall bargaining power. Both Canada and Japan did lose relative ideational power. This is relevant for Canada, as it was able to profit from a reputation of being an "honest broker" during the Uruguay Round in particular.

However, interviewees stressed that the importance of ideational power for their overall bargaining power was much lower than the importance of the other conditioning factors mentioned above. The fifth conditioning factor of foreign policy and geostrategic considerations cannot be regarded as an important reason for their decline in bargaining power.

In addition to that, also the assumption that the position of their preferences in the overall spectrum of the GATT/WTO membership is important for their bargaining power can be partially confirmed. This factor is especially important in the case of Japan's bargaining power in the anti-dumping negotiations of the Uruguay Round and DDA. It is, however, less relevant for Japan's bargaining power in market access/non-agricultural market access negotiations as well as Canada's bargaining power in both case studies.

The overall findings of the two case studies of this thesis for both Canada and Japan are illustrated in a qualitative assessment in Table 22. The relative importance of the individual factors is indicated by qualitative terms as either "especially significant", "significant", or as "background factor" if the importance is only limited (see Table 22).

Table 22: Importance of the factors behind the hypothesis of the overall decline of bargaining power of Canada and Japan:

	Case study on anti-dumping		Case study on market access/non-agricultural market access	
Factors	Canada	Japan	Canada	Japan
Economic power	Significant	Especially significant	Significant	Especially significant
Domestic politics and decision-making structures	Significant	Especially significant	Significant	Especially significant
Participation in central negotiation groups and negotiation coalitions	Especially significant	Significant	Especially significant	Significant
Importance of norms and ideas	Background factor	Background factor	Significant	Background factor
Foreign policy and geostrategic considerations	Background factor	Background factor	Background factor	Background factor
Additional Factor: Relative position of the country within the spectrum of the membership	Background factor	Especially significant	Background factor	Background factor

Additional findings on background factors to the analysis and on general factors relating to the dynamics of multilateral trade negotiations.

This analysis has also shown the importance of a number of additional factors. Some of them are background factors for the analysis above and others are relevant for the

dynamics of multilateral trade negotiations in general. First, the main background factor in the analysis above is that the loss of influence of Canada and Japan is not only due to a decreased ability to exert power in the negotiations, but in part also due to a decreased interest of both countries to exert such influence. Fulfilling an influential role in multilateral trade negotiations is also a question of having the interest to do so and of committing the necessary resources. Since the creation of NAFTA, trade relations with Canada's major trading partner, and thus its main trade priorities, have already been regulated by the agreement. As pointed out in Chapter 5, this can be illustrated by Canada's negotiating preferences during the anti-dumping negotiations of the DDA. Japan fully focused its resources on multilateral negotiations during the Uruguay Round. Until 1997, Japan did not engage in FTA negotiations with other countries; however, it adopted a strategy of "catching up" on FTAs and shifted its focus on FTA negotiations during the DDA. The shift of preferences of Japan towards negotiating FTAs is in part due to the exclusion of three of the four Singapore issues. Trade and investment, transparency in government procurement and trade and competition policy were excluded from the agenda. These topics had been key issues for Japan in the DDA negotiations. The importance of this background factor is also illustrated by Japan's strategy of negotiating bilateral and regional agreements in the more comprehensive form of EPAs, which include such issues. This increased focus on bilateral and regional agreements is important for the BATNA of Canada and Japan in the DDA. This factor of the BATNA has only been included into the analysis as a background factor for the following reasons: first, not only Canada and Japan, but many other countries, especially key traders, have been heavily focusing on an increased negotiation of FTAs; secondly, none of the interviewees pointed out that an improved BATNA from the Uruguay Round to the DDA compared with that of other members was a major conditioning factor of the bargaining power of Canada and Japan.

Secondly, the case studies of anti-dumping and non-agricultural market access negotiations have also illustrated the strong issue linkage between these negotiations. As an interviewee pointed out, they can be considered to be "two sides of the same coin" (interview). Concessions on both these issues are strongly interlinked. The progress in the negotiations on both of these issues is also linked. This is illustrated by negotiations on tariff reductions being slowed down in 1990 as the negotiators

were reluctant to negotiate without knowing the outcomes of negotiations on the ground rules such as anti-dumping.

Thirdly, a number of differences between the negotiation dynamics of market access-based negotiations in non-agricultural market access and rules-based negotiations in anti-dumping can be observed. In negotiations on market access, everything is quantifiable, while this is not the case in anti-dumping negotiations. Market access-based negotiations are about reciprocity of concessions. While rules-based negotiations are also about reciprocity, such dynamics of reciprocal request-offer bargaining do not apply to the negotiations on many rules-based issues. Furthermore, many of the outcomes of these negotiations are not inherently discriminatory, and benefit all members. On many issues, for example on the definition of a new concept or term related to trade relations, all members can profit from progress in the negotiations.

These characteristics of rules-based negotiations also illustrate the importance of ideas in them. Countries able to propose ideas well suited to address problems in rules-based negotiations, such as definitions, are able to increase their influence. Furthermore, in order to be influential, the anti-dumping issues negotiated must be relevant for the exports of a given country. The country must be one of the main stakeholders on anti-dumping. In addition, it is important to have technical expertise, such as being able to “understand the technical implications of the proposals of a given country, which can then affect its support among other member countries” (interview). Owing to the specific negotiation dynamics of anti-dumping negotiations, constructivist theory is more important in explaining the conditioning factors of bargaining power within them, than it is for this in market access-based negotiations.

Fourthly, this research confirms that dispute settlement procedures can have an impact on the bargaining power of certain members in anti-dumping negotiations. Dispute settlement procedures and appellate body decisions have been described by an interviewee as a second stream of negotiations which interacts with the actual negotiations on anti-dumping (interview). The importance of such dispute settlement procedures for anti-dumping negotiations can be illustrated by the “EEC –

Regulation on Imports of Parts and Components” dispute which was filed by Japan against the EC in 1988 during the Uruguay Round. It can also be illustrated by the dispute DS322 which was brought by Japan against the US in 2005 during the DDA. This influence on negotiations such as anti-dumping negotiations has, however, always been a function of dispute settlement procedures as well as appellate body decisions and this link was already subject to analysis in previous studies (Stewart, 1993).

Finally, several interviewees referred to the importance of individual negotiators for the ability of a country to play an influential role in multilateral trade negotiations. Individual negotiators can play an important role in the bargaining process, for example as providers of ideas in the negotiations. This can be particularly important in rules-based negotiations such as anti-dumping negotiations, where ideas can play an important role as solutions to common problems. However, this role of individual negotiators has not been included into the analysis, as the overall impact on the outcome of the negotiations is only considered to be marginal.

Validity of the theoretical framework used in the thesis.

An additional output of this thesis is the framework used in this research for the analysis of bargaining power in multilateral trade negotiations. This thesis deals with the specific research field of economic diplomacy. As pointed out in Chapter 1, a single theoretical framework for the analysis of bargaining power in multilateral trade negotiations has not been fully developed. By proposing the framework used in this research, the thesis aims at addressing this gap in the literature on the theory of economic diplomacy. The analysis identifies the more important recurrent themes that repeatedly occur in explaining the sources of the bargaining power of Canada and Japan in the multilateral trade negotiations of the Uruguay Round and DDA. In doing so, the analysis contributes to the development of a theoretical framework of bargaining power in multilateral trade negotiations. However, a complete assessment of the validity of the framework used in this thesis requires additional research. This section provides initial conclusions on the validity of this framework and points out areas for further research necessary to assess its validity in more detail.

This thesis has mainly focused on the negotiation issues of anti-dumping negotiations and market access/non-agricultural market access negotiations. The differences between the dynamics of anti-dumping and market access/non-agricultural market access negotiations illustrate that a theoretical framework of bargaining power has to take into account differences between individual negotiation issues. Accordingly, further research concerning the applicability of the framework presented in this thesis is necessary. Additional research analyzing to what extent the framework presented in this research is applicable to other specific issue areas is needed. Such research would contribute to a detailed study of the conditioning factors of bargaining power and the idiosyncratic negotiation dynamics of different issue areas in multilateral trade negotiations. For example, what are the specific negotiation dynamics of services negotiations and how do they differ from the issues analyzed here? To what extent is the framework presented in this research applicable to this negotiation area?

On the issue of services, the conditioning factors of the framework seem to be useful. For economic power, a number of indicators such as services market size, services trade flows and statistics on foreign establishments of firms can be useful (WTO, 2014n). Such indicators and available statistical information can be used to determine the economic value of remaining concessions that members can still make in their schedules of commitments. These schedules identify the openness of the services markets of each member in the different modes of services trade: cross-border supply, consumption abroad, commercial presence and presence of natural persons (WTO, 2014o). However, services negotiations do not necessarily follow a strict request-offer dynamic as is the case in tariff negotiations. In fact, there are two tracks in the negotiation process. One track of more bilateral or plurilateral negotiations concerns the improvement of market access commitments. Another track of multilateral negotiations, deals with the establishment of rules and regulations (WTO, 2014p). The second track can have negotiation dynamics more similar to those of rules-based negotiations analyzed in this framework. The conditioning factor of domestic politics seems to be relevant in this area, as different domestic interest groups can be found in the services sectors of Canada and Japan. Furthermore, as pointed out in Chapter 4, a number of groups and coalitions deal with services negotiations. This indicates that also this conditioning factor of activity in central groups and bargaining coalitions is useful. This suggests that the

framework offered in this thesis is largely applicable to services negotiations, but further research is needed to determine the degree of applicability of all conditioning factors, including ideational power and foreign policy considerations. Further research is also needed on agricultural negotiations. This topic was not analyzed in an in-depth case study in this thesis. However, it has been included in the analysis of this thesis and this research implies that the framework is fully applicable to this issue as well.

With regard to rules negotiations, this thesis has focused on anti-dumping negotiations. The framework offered in this thesis can also be useful for other areas of rules negotiations, such as subsidies and countervailing measures. For these more rules-based issues, the negotiation dynamics which became apparent during the analysis of anti-dumping negotiations seem to be also relevant. This lays an emphasis on such factors as the importance of ideas, technical expertise, resources and coalition activity, rather than on market size and existing economic commitments. Other examples of negotiation issues where these more rules-based dynamics could apply are: sanitary and phytosanitary measures (SPS), TBT, TRIPS, trade facilitation, WTO rules on regional trade agreements, trade and environment as well as technical co-operation and capacity building. These dynamics can be relevant for the negotiations on the Dispute Settlement Understanding. However, these negotiations are not part of the single undertaking, which makes them different from the other negotiation issues. This affects, for example, possible dynamics of issue linkage between these negotiations and negotiations on other issues (WTO, 2014q).

This thesis has confirmed the importance of issue linkage for the bargaining power of individual members in multilateral trade negotiations. Accordingly, further research also has to focus on the following questions concerning issue linkage. What is the relationship between these other negotiation areas and what are the specific dynamics of issue linkage between them? How do these dynamics shape the process of bargaining and the conditioning factors of bargaining power? Further research is needed on the specific differences in the negotiation dynamics between rules-based negotiations and market access-based negotiations. Which other issue areas have similar dynamics to those of the anti-dumping negotiations analyzed here? And to what extent and in what ways do the dynamics of different rules-based negotiation

areas differ? What is the nature of issue linkage and interaction between these other rules-based negotiations areas and market access-based negotiations?

As stated in Chapter One, this research has focused on an analysis of the bargaining power of Canada and Japan, which can both be characterized as middle powers. Accordingly, the additional research analyzing the applicability of this framework has to go beyond analyzing other negotiation issues. It has to analyze to what extent this framework of bargaining power is applicable to other players that can be characterized as middle powers. This thesis has analyzed the country studies of Japan (a middle power country which is economically very strong) and the economically weaker Canada. These countries were chosen to allow an analysis of two countries which differ markedly in their economic power. As a result, these studies suggest that the framework is applicable to middle powers with both a very strong and a weaker economic power, and by implication to middle powers with an economic power between them.

Furthermore, this outlook has to focus on to what extent the framework is applicable to other players that cannot be considered middle powers. Such a ranking can depend on the indicators mentioned in Chapter 1 such as economic power and population. An underlying question is whether countries at the extremes of this scale are subject to idiosyncratic and inherently different negotiation dynamics. To what extent is the framework suitable for analyzing the bargaining power of the major powers of the US and the EC? Is there is a certain “critical mass” of economic power beyond which other conditioning factors of bargaining power mentioned in the framework lose their relative relevance? This can be the case for the importance of coalition activity. Members such as the US and EC actively participate in bargaining coalitions. However, it is unclear whether these players would really lose significant bargaining power if they could not rely on coalitions. To what extent are these most important traditional players dependant on coalition activity, and to what extent are they able to stand alone in the negotiations merely because of their economic weight? Further research is needed on the specific connection between coalition activity and the bargaining power of the economically most powerful players.

To what extent is the framework applicable to small powers, such as small developing countries or least developed countries? Here, special and differential treatment has to be included in the bargaining process. Furthermore, certain small countries are not subject to a strict application of the reciprocity of trade negotiations. Accordingly, their bargaining power does not necessarily depend on their existing trade barriers. The question here is to what extent the conditioning factor of economic power is relevant, especially for the least developed countries. Here, the conditioning factor of coalition activity can be more crucial to overall bargaining power, while the framework of economic power is less applicable.

As a result, the framework offered in this thesis can generally be considered to be applicable to other middle powers. It can also be regarded as being applicable to economically stronger and weaker members. However, further research is needed to determine the exact relevance of certain individual conditioning factors in the most extreme cases. A general caveat on the role of domestic politics is that the framework of this thesis is centred on domestic decision-making mechanisms of democracies. As a consequence, the framework has to take into account possible differences in countries with different domestic decision-making structures, such as China. These differences can have an effect on the influence of domestic interest groups or civil society on trade policy decision-making.

This research has focused on an analysis of bargaining power in multilateral trade negotiations. Its analysis is beyond the level of bilateral trade negotiations and concentrates on the more complex level of multilateral trade negotiations involving more than two actors. However, further research on the applicability of the framework offered in this thesis is needed on other types of trade negotiations. For example, to what extent is the framework of bargaining power offered in this thesis applicable to plurilateral negotiations? Examples of such negotiations within the WTO are those of the Information Technology Agreement (ITA) and negotiations over the Government Procurement Agreement (GPA).

Negotiations on the GPA involve two elements. They deal, on the one hand, with the schedules of commitments of each party. This part is based more on the economic power of each party, which depends on the respective government procurement

market. As a result, economic power, depending on the government procurement market of each party, is relevant. On the other hand, the negotiations also deal with the definition of general rules and procedures. The negotiations on this part are closer to the dynamics of more rules-based negotiations. Here, factors such as expertise, resources and ideas are important and coalition activity seems less relevant. This is first due to the lower number of parties to the agreement. There are currently 15 parties to the agreement, while an additional 10 observers are negotiating for accession (WTO, 2014r). Secondly, the importance of coalition activity is diminished by several parties' having joined the agreement by accession or currently negotiating accession. As a result, these parties have to negotiate their concessions alone during the accession process, and are not able to rely on coalition activity with other parties to the agreement. Another factor of this framework important in the GPA is the relative position of a party within the spectrum of all members. If the preferences of the party to the agreement are close to a relative consensus of those of the entire membership, it can result in an increase of its bargaining power. In contrast, if a party has a more radical view, it can decrease its bargaining power, even if it is only considered radical by a small number of other parties.

The ITA deals with tariff concessions on information technology products. Reviews of NTBs are included, but are not binding (WTO, 2014s). As a result, negotiation dynamics that are closer to rules-based negotiations seem to be less relevant for the ITA negotiations. The economic power can be considered to be especially important for these negotiations. Economic power would then largely depend on the size of the relevant ITA markets, which determines the value of the tariff concessions of each member. The ITA currently has 70 participants (WTO, 2014t). Accordingly, coalition activity appears to be less relevant, especially for the members that have negotiated their relevant concessions during their accession procedure.

Negotiations of plurilateral agreements can also take place outside the framework of the WTO. The negotiations for a Trade In Services Agreement (TISA) are an example of this (CSI, 2013). The framework of this thesis can be largely applicable to services negotiations. However, for TISA further research is needed on the relevance of emerging coalitions within the negotiations. TISA currently has 50 participants (CSI, 2013). The lower number of participants has to be considered in

further research on the importance of coalition activity. The framework of this thesis can also be applicable to other plurilateral FTA negotiations, such as the Trans-Pacific Partnership (TPP). Again, the importance of official coalition activity seems to be lower in the case of plurilateral FTA agreements involving a small number of participants.

As mentioned above, the importance of estimates of future economic development on the bargaining power of trade negotiators today has to be further analyzed. The current analysis suggests that this could be a useful element contributing to the further development of a theoretical framework of bargaining power in multilateral trade negotiations. The importance of this factor has to be analyzed in the plurilateral negotiations mentioned above. It has also not been sufficiently considered in existing theoretical frameworks on bilateral trade negotiations and could be useful for further developing them (See: Odell, 2000).

This section has analyzed the validity of the theoretical framework used in this thesis. The framework seems to be useful for analyzing bargaining power also on other issues of multilateral trade negotiations, and also for other players than those analyzed in this thesis. It also seems to contain relevant elements for the analysis of bargaining power at other levels of trade negotiations, be it plurilateral or bilateral. The section has also pointed out areas for further research needed to fully assess the validity of the framework.

Outlook on additional research.

This section provides an additional outlook for further research in its field that goes beyond the research related to the theoretical framework used in this thesis. More research is also needed on the level of trade policy decision-making with regard to the interrelation between bargaining power and strategic policy making. An analysis on bargaining power as an explanatory factor of countries focusing their resources on negotiations on the multilateral, regional or bilateral level is needed. It has been argued that the increased focus of certain countries on regional or bilateral negotiations of FTAs is mainly caused by the fear of suffering from trade diversion

effects due to other countries pursuing such negotiations. Middle powers seek to negotiate in multilateral regimes, as they help to offset disadvantages in bargaining power, for example through institutional constraints on major powers. However, this present research has argued that the bargaining power of the middle powers Canada and Japan has decreased in the setting of multilateral trade negotiations. It was also observed that Canada and especially Japan have chosen to pursue a strategy of increased negotiations of FTAs. To what extent does their relative loss of bargaining power in the multilateral regime explain this choice of strategy? Owing to the limited negotiation resources, a country has to allocate its negotiation resources strategically at the level which guarantees the highest degree of relative bargaining power in the negotiations. For example, to what extent is the change of strategy of Japan towards negotiating FTAs merely explained by the fear of trade diversion effects, and to what extent is their relative loss of bargaining power in the multilateral setting an explanatory factor for this change of strategy? These questions have to be analyzed in the broader context of middle ranking powers in multilateral trade negotiations.

Appendix.

I: List of Interviewees.

Table 23: List of interviewees (total of 54 interviewees).

<u>Name</u>	<u>Occupation</u>	<u>Date of interview</u>
Aaron Fowler	Counsellor, Permanent Mission of Canada	27. 04. 12
Alejandro Jara	Deputy Director-General, WTO	27. 02. 12
Andreas Julin	Counsellor, Permanent Mission of the European Union to the WTO	08. 05. 12
Angelos Pangratis	Ambassador of the EU to the WTO	26. 04. 12
Bertin Martens	Deputy Head of Unit, Chief Economist Unit, DG TRADE, European Commission	26. 05. 11
Braz Baracuhy	WTO Agriculture Desk, Permanent Mission of Brazil to the WTO	17. 02. 10
Carmen Guarda	Director, Market Access Division, WTO	18. 04. 12
Christopher Alden	Reader, International Relations Department, LSE	17. 01. 11
Clemens Boonekamp	Former Director, Trade Policies Review Division	23. 04. 12
David Hartridge	Senior WTO Counsellor, White Case	02. 05. 12
David Shark	Deputy Chief of Mission, Mission of the United States to the WTO	20. 04. 12
Erik Wijkström	Secretary of TBT Committee,	10. 05. 12

	WTO	
Evan Rogerson	Director, Agriculture and Commodities Division, WTO	01. 05. 12
Fernando de Mateo	Ambassador of Mexico to the WTO	25. 04. 12
Guy de Jonquières	Senior Fellow, ECIPE	16. 06. 11
Hans-Peter Werner	Counsellor, External Relations Division, WTO	27. 02. 13
Hiromi Yano	Counsellor, Rules Division, WTO	02. 05. 12
Hosuk Lee-Makiyama	Director, ECIPE	21. 06. 11
Jan Woznowski	Former Director, Rules Division, WTO	09. 05. 12
Jesse Kreier	Counsellor, Rules Division, WTO	19. 04. 12
Jingo Kikukawa	Counsellor, Market Access, Permanent Mission of Japan in Geneva	23. 07. 12
Johann Human	Director, Rules Division, WTO	18. 02. 13
John Weekes	Senior Business Advisor, Bennett Jones LLP	09. 02. 12
Jon Nyman	DG TRADE, European Commission	19. 05. 11
Kay Parplies	Chief Economist Unit, DG TRADE, European Commission	19. 05. 11
Ken Heydon	Economic Consultant	29. 06. 13
Ludivine Tamiotti	Counsellor, Trade and Environment Division, WTO	27. 02. 13
Luzius Wasescha	Ambassador of Switzerland to the WTO	30. 04. 12
Maika Oshikawa	Counsellor, Head of Asia and	26. 04. 12

	Pacific Regional Desk, Institute for Training and Technical Co-operation, WTO	
Mario Matus	Ambassador of Chile to the WTO	07. 05. 12
Masahiro Hayafuji	Counsellor, Trade Policies Review Division, WTO	25. 04. 13
Matthew Cox	Independent Consultant on EU issues	28. 02. 13
Matthew Goodman	Chair in Political Economy, Center for Strategic and International Studies	28. 01. 13
Michael Johnson	Trade Consultant	27. 02. 13
Minako Morita-Jäger	Trade Consultant	20. 06. 12
Mitsuru Myochin	Counsellor, The Permanent Mission of Japan to the United Nations and Other International Organizations in Geneva	08. 05. 12
Ota Tomoko	Counsellor, Rules, Permanent Mission of Japan in Geneva	19. 07. 12
Peter Berz	Deputy Head of Unit, Trade Relations with South Asia, Korea and ASEAN, DG Trade, European Commission	22. 06. 11
Peter Pederson	Counsellor, Council and Trade Negotiations Committee Division, WTO	22. 04. 13
Ricardo Meléndez-Ortiz	Chief Executive, ICTSD	20. 02. 13
Richard Eglin	Director, Trade Policies Review Division, WTO	18. 04. 12
Robert Wolfe	Professor, Department of	14. 11. 11

	Political Studies, Queen's University	
Roderick Abbott	Senior Advisor, ECIPE	05. 03. 12
Roy Santana	Counsellor, Market Access Division, WTO	23. 04. 12
Rufus Yerxa	Deputy Director-General, WTO	23. 04. 12
Sergio Marchi	Senior Fellow, ICTSD, Former Ambassador, Canadian Mission to the WTO	15. 07. 11
Steve Verheul	Canadian Chief Trade Negotiator, Canada-European Union, Trade Policy and Negotiations Branch, Foreign Affairs and International Trade Canada	11. 02. 10
Stuart Harbinson	Senior Policy Advisor, Sidley Austin	01. 05. 12
Suja Rishikesh	Market Access Division, WTO	22. 02. 13
Takuya Kimura	First Secretary, Mission of Japan to the European Union, Former METI official	23. 06. 11
Tomas Baert	Counsellor, Permanent Mission of the European Union to the World Trade Organization	19. 05. 11
Waltraud Schelkle	Adjunct Professor, European Institute, LSE	19. 04. 12
William Kendall	First Secretary, Permanent Mission of Canada to the WTO	27. 07. 12

Yorizumi Watanabe	Professor of International Political Economy, Keio University	19. 09. 12
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II: Japan's and Canada's proposals during the anti-dumping and market access/NAMA negotiations of the Uruguay Round and Doha Development Agenda.

Table 24: Japan's proposals directly relating to anti-dumping negotiations during the Uruguay Round (WTO, 2014u).

Proposal symbol, time of circulation	Summary
MTN.GNG/NG8/W/11, 28 September 1987	Japan refers to the following issues that should be negotiated in the Uruguay Round: the timing when a product is deemed to be introduced into commerce of another country, clarification of the definition of "like product", constructed value, fair comparison between export price and domestic price, sufficient evidence for an investigation, price undertakings, refund and review. Japan also addresses the "new issues" of circumvention, input dumping and cost decline by innovation.
MTN.GNG/NG8/W/30, 20 June 1988	In this submission, Japan provides background notes on the issues proposed in MTN.GNG/NG8/W/11. Furthermore, it makes specific reference to the introduction of a "sunset clause": "Other signatories provide a sunset clause which limits in principle the effective term of an AD finding to be a three or five year period during which reviews can be made on request. Japan considers that such a clause should be incorporated in the AD Code".
MTN.GNG/NG8/W/48, 3 August 1989	<ul style="list-style-type: none"> - According to Japan, "investigations should, in principle, not be initiated unless there is actual import". - In determining the domestic sales price, Japan makes proposals on precise rules "to avoid arbitrary calculation of prices and to harmonize the methods existing in various countries". - On the determination of the constructed value, Japan proposes "detailed rules concerning the calculation of the constructed value, including, in particular, rules that the calculations should be based on actual data." - In order to "ensure a fair comparison of normal value and export price" and

	<p>to “eliminate arbitrariness”, Japan proposes “to develop an indicative list of the differences to be adjusted, and introduce precise rules on the methods of calculation of export price and domestic sales price.”</p> <ul style="list-style-type: none"> - Japan proposes that, for “ the purpose of the comparison of prices, in converting a transaction value of a product expressed in terms of a currency in another country, the exchange rate at the date of a contract for export of the product in question shall be adopted as a general rule.” - Japan also stresses that evidence for an anti-dumping investigation should “not only be sufficient but also objective.” - Certain “companies which were excluded from the investigation or had no actual trade at the time of the investigation” might still be affected by the investigation. Japan proposes that appropriate measures which do not impose excessive burden both to the exporter and importer should be taken to protect the interest of these companies excluded from the investigations. - Japan also stresses to further clarify the causal link between dumping and injury - Japan proposes to introduce a “sunset clause” of terminating anti-dumping duties after five years.
MTN.GNG/NG8/W/48/ Add.1, 29 January 1990	<ul style="list-style-type: none"> - Japan aims to clarify the definition of the terms “association” and “related”. - Concerning the criteria for determining injury, Japan proposes that the following three criteria should be necessary: “the increase in the volume of dumped imports”, “their effects on Prices” and “the impact on the domestic industry”. Japan also proposes that investigating authorities should take into account the “public interest” before imposing anti-dumping duties. - Concerning refund procedures, “Japan believes that 'actual dumping margin' in refund procedures should be calculated independently of the anti-

	<p>dumping duty collected”. Furthermore, “Japan believes that refunds should not be effectively hindered by complex or lengthy refund procedures (...)”.</p> <ul style="list-style-type: none"> - Japan also addresses the issues of input dumping, the Dispute Settlement system as well as the establishment of a legal status for customs unions.
MTN.GNG/NG8/W/81, 9 July 1990	<p>Japan stresses again the central elements that should be included into the outcome of the Uruguay Round negotiations. These elements concern the initiation of anti-dumping investigations, price comparison, injury and anti-dumping measures.</p>

Table 25: Canada's proposals directly relating to anti-dumping negotiations during the Uruguay Round (WTO, 2014u).

Proposal symbol, time of circulation	Summary
MTN.GNG/NG8/W/65, 22 December 1989	<p>Concerning anti-dumping practices in general, Canada states that “there is a need to ensure greater uniformity and consistency in their implementation and to reduce the potential for arbitrary or unilateral interpretation. A number of provisions of the Code should be made more explicit in order to reduce areas of potential dispute.”</p> <ul style="list-style-type: none"> - Canada aims to clarify the requirement necessary for the standing of complainants. Also, concerning prima facie evidence for an investigation, Canada stresses “the need to set more specific guidelines on the minimum documentation and information requirements needed for a complaint (...)”. - Canada refers to the need to provide a clearer definition of the term “industry” in agricultural products. - It also points out the importance of a minimum period of time before imposing provisional measures. - Canada stresses the need to clarify provisions concerning the “amount for administrative and selling expenses and profits when establishing normal value for constructed value cases”, price undertakings and the imposition and collection of anti-dumping duties. - Furthermore, the transparency of the anti-dumping proceedings should be increased, sufficient time limits should be given to respondents and the determination of threat of material injury as well as the provisions for on-the-spot investigations should be clarified. - Canada states that more “specific guidance is required to assist in determining when and under which circumstances sales below cost should be disregarded and excluded in the calculation of the normal value.” - The de minimis standard for the margin of dumping should be further

	<p>specified.</p> <ul style="list-style-type: none"> - Canada states that a “country should be excluded from the scope of an investigation at any stage, in any case in which imports of the like products from that country are negligible and have no discernible adverse impact on the domestic industry.” - The causality test of injury should be strengthened by including either price suppression or lost sales as principal factors. Furthermore, when analysing injury, other factors than dumping should also be considered. - Canada also refers to the sunset clause “requiring that findings automatically lapse after 5 years”. - Canada stresses the need for rules concerning anti-circumvention as well as the importance of public interest considerations.
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Table 26: Japan's proposals directly relating to anti-dumping negotiations during the DDA (WTO, 2014u).

Proposal symbol, time of circulation	Summary
TN/RL/W/51, February 5th 2003	Japan addresses questions to the US. Japan stresses that distortions also occurs as a result of “inappropriate application of AD/CVD measures” and that rules should be used “to discipline injurious dumping and to discipline the application of anti-dumping measures”. Japan also emphasizes the need to “clarify the rules so that they are less susceptible to inappropriately broad or narrow interpretation” concerning dispute settlement.
TN/RL/GEN/42, May 13th 2005	Japan presents an illustrative list of benchmarks for injury determinations. Japan presents rebuttable presumptions on material injury (no injury if “domestic industry's operating profits have increased and the market share has been maintained or increased during the investigation period”) and causation (dumped imports are not causing material injury if “volume of increase in non-dumped imports of the product concerned has significantly exceeded the volume of increase in dumped imports during the investigation period” or if “Prices of the dumped imports have been increasing while there has been no undercutting and the market share of the dumped imports has been declining during the investigation period”).
TN/RL/GEN/72, October 14th 2005	Japan points out that: “In an AD investigation, the authorities often require the respondents to collect and submit data concerning their affiliated parties.” Japan proposes to change Art. 6.1, “clarifying the criteria when the authorities can require the respondents to submit data concerning "affiliated parties" and, thus, reducing the burden for respondents. Japan proposes to introduce the notion of “control”, defined as “the power to govern the financial and operating policies of an enterprise”. Respondents should only be asked to submit data concerning the affiliates over which they have such control.
TN/RL/GEN/104, March 6 th 2006	This proposal concerns the issue of sunset reviews. Japan stresses that “all AD measures should be terminated within five years after imposition (or even sooner)”. Japan proposes to amend Art. 11.3 concerning the following aspects: “automatic termination of the measures at a defined point in time; an opportunity for termination in a sunset review by the fifth year; clearer standards for the sunset reviews; and an opportunity for exporters to

	demonstrate affirmatively that they are not likely to dump in the event of termination.”
TN/RL/GEN/126, April 24th 2006	Japan stresses that zeroing is an “inherently biased practice”. According to Japan, “the logic is compelling that zeroing be prohibited in the calculation of the dumping margin in both original investigations and in subsequent proceedings”. There should be no “change its dumping margin calculation methodology between an original investigation and subsequent Article 9.3 reviews”. Furthermore, “Authorities could circumvent the prohibition of zeroing if they were allowed to subdivide the period of investigation or review, and calculate separate margins for each of the subdivisions (e.g. month, quarter, semi-annual). This should not be allowed.”
TN/RL/GEN/125, April 24th 2006	Japan presents a revised proposal on the submission of data held by affiliated parties. Japan changed its proposal as “some Members argued that authorities should be allowed to seek information of parties even if strict "control" does not exist.“ These members pointed out that “there could be other cases where the relationship of respondents with other parties could allow the respondents to make reasonable efforts to provide information from such other parties.“ Japan accommodates these objections in the revised proposal, but points out that respondents should not be required to provide information in a situation in which “the efforts required to provide such information is disproportionate to the necessity of such information to the conduct of information.”
TN/RL/GEN/124, April 24th 2006	Japan points out that “some authorities do not provide a copy of the application for an anti-dumping investigation (ADA Article 5.1) until after the investigation is initiated.” Japan proposes that it should be a requirement for authorities “to provide the non-confidential version of the application to the government of the exporting Member”.
TN/RL/W/220, March 12th 2008	This proposal concerns the issue of sunset reviews. Concerning the automatic termination of the measures, Japan notes: “The Chair's proposed text takes a significant step in this direction, by proposing an absolute "sunset" 10 years after imposition of measures. We believe, however, that further strengthening would be needed in order to give effect to the intent behind Article 11.3.”. Furthermore, “We still believe that a 5-year termination would be the intention of the drafters of the current ADA. However, given the strengthened disciplines in our proposals, we could accept that the definitive ending date instead be 8 years.” Also, a new articles 11.3.6 was proposed in the Chai’s text, which “would allow

	<p>an authority to take expeditious actions after termination on the basis of the "best information available". Japan states that it strongly disagrees with “any provision for the expeditious imposition of provisional measures based on the best information available (...).”</p>
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Table 27: Canada's proposals directly relating to anti-dumping negotiations during the DDA (WTO, 2014u).

Proposal symbol, time of circulation	Summary
TN/RL/W/47, January 28 th 2003	Canada gives an outline of its major objectives. The objectives can be divided into three main topics: "transparency and procedural fairness; clarifications to existing provisions; and improvements to the effectiveness of trade remedy measures." Concerning the issue areas of transparency and procedural fairness, Canada aims at strengthening the rules in the areas of: initiation standards, disclosure of information, public hearings, explanation of determinations and decisions. Concerning clarification, Canada has the objective of clarifying the following elements: ordinary course of trade, profitability test, cost allocation, like product, domestic industry, lesser duty, sunset reviews, reviews. Finally, concerning improvement, Canada aims at improving the issues of initiation standards, de minimis margin of dumping, repeated dumping, and public interest as well as competition policies, duty refunds and duty imposition.
TN/RL/W/92, May 1 st , 2003	Canada states that, "to more closely parallel the scope of the injury investigation, consideration should be given to amending Article 5 to require that, when examining an application for the initiation of an investigation, authorities also consider information on factors other than dumping that may be contributing to the injury alleged." Furthermore, "Canada believes that stricter adherence to the requirements of procedural fairness would contribute to fairer and more transparent determinations" referring to the issue of public hearings concerning Art. 6.2.
TN/RL/W/134, July 14 th 2003	Concerning initiation standards, Canada stresses the importance of an objectives assessment of industry support: "In Canada's view, the objectivity of an assessment is compromised when, for example, a Member at any time provides domestic producers with a financial incentive to support an application, or its investigating authority encourages support for an application."
TN/RL/GEN/3, July 14 th 2004	Canada addresses the problem of different duty assessment methodologies. Canada aims at improving the provisions related to these methodologies "in order to minimize the cost of the uncertainty associated with any duty assessment system." Thus, Canada aims at establishing "tighter timeframes for ADA Article 9.3 reviews or refunds" and clarifying "the right of parties to seek reviews immediately after

	importation”.
TN/RL/GEN/21, October 19 th 2004	Canada addresses the issues of “sufficiency of explanations issued by the investigating authority in respect of the legal and factual basis of determinations and decisions made at each stage of the process” of an anti-dumping investigation. Canada proposes a number of amendments in order to increase the transparency of investigations.
TN/RL/GEN/26, December 1 st , 2004	Canada aims to further clarify the terms “like product” and “product under consideration”.
TN/RL/GEN/37, March 23 rd , 2005	Canada proposes different “clarifications and improvements to address particular concerns relating to the scope of compliance with the recommendations and rulings of the Dispute Settlement Body (DSB).”
TN/RL/GEN/48, June 30 th , 2005	Canada circulates a revised proposal on the DSB. It states that “in light of concerns expressed by several delegations (...), Canada has narrowed the scope of its original proposal, which it believes would continue represent a significant improvement to the status quo.”
TN/RL/GEN/73, October 17 th , 2005	Canada aims to further clarify the issue of product under consideration.
TN/RL/GEN/61, September 15 th , 2005	Canada addresses the issue of sunset reviews. It proposes to “eliminate the possibility of an ex officio initiation of reviews by authorities (also known as "self-initiation")”. Furthermore, “sunset reviews must be completed before the expiry of the five years”.
TN/RL/GEN/85, November 17 th , 2005	Canada aims at further clarifying the issue of public interest. Canada points out that it shares “much common ground with Hong Kong China and the other co-sponsors of those papers”.
TN/RL/GEN/95, January 19 th , 2006	Canada further addresses the issue of “calculation of dumping margins that warrant clarification and improvement, including the provisions of the Anti-Dumping Agreement (ADA) on "ordinary course of trade" and cost allocations.”
TN/RL/GEN/111, April 21 st , 2006	In this proposal on procedures for adversely affected domestic interested parties, Canada states that it “has further refined its proposal having regard to the reaction of Members when its paper on public interest [TN/RL/GEN/85] was considered at the February 2006 meeting of the Group”.

Table 28: Japan's proposals directly relating to negotiations on tariffs during the Uruguay Round (WTO, 2014u).

Proposal symbol, time of circulation	Summary
MTN.GNG/NG1/W/8, 8 July 1987	<p>Japan makes a proposal on the “mutual elimination of tariff rates on industrial Products.” Japan “will be ready to reduce tariff rates on industrial products to zero along with other developed countries.”</p> <p>Furthermore, Japan states that it is “quite appropriate that no exception be allowed on which tariff rates will not be reduced to zero.” In addition to that, Japan states: “Some sort of staging will be necessary.” Concerning developing countries, Japan states that they “could start by binding the items corresponding to a certain proportion of their respective total trading figure and would improve the content of the binding by increasing the share of binding of duties at existing or deeper levels, according to the level of the development of their economy.”</p>
MTN.GNG/NG1/W/8/Sup pl. 1/Rev.1, 4 March 1988	<p>Japan makes an additional proposal on the modalities for tariff negotiations, “taking into account the views so far expressed by participants and in recognition of the need to allow for minimum exceptions while still maintaining the original aim of the complete elimination of tariffs on all industrial products.”</p> <p>Japan proposes the following modality for tariff reductions: “Among the developed countries, reciprocal and complete elimination of tariffs on all industrial and mining products will be maintained as the principle; and in order to eliminate tariffs on as many products as possible, developed countries will first agree upon the proportion of products for which tariffs will be eliminated. The proportion may, for instance, be defined by agreement as a rate which represents, in terms of either tariff revenue or import value, the share of products for which tariffs are to be eliminated in the whole industrial and mining products. Specific products for which tariffs will be eliminated are to be chosen by each country.”</p> <p>Concerning exceptions, Japan states: “for those industrial and mining products whose tariffs are not eliminated as exceptions, formula-cut method for reduction of tariffs (e.g. harmonization-formula adopted at the Tokyo Round) will be applied.”</p> <p>Furthermore, “staging will be considered in eliminating or reducing the tariffs”.</p>
MTN.GNG/NG1/W/25, 17 July 1989	<p>Japan proposes a basic formula in order “to achieve 33 per cent or more tariff reductions.” Furthermore, Japan points out: “In principle, there will be no</p>

	<p>exceptions to the application of the above formula.“</p> <p>In addition to that, “the request/offer approach may be used to achieve tariff reductions deeper than the formula cut, including elimination of tariffs (...).”</p> <p>Developing countries are not expected to make the same tariff cuts as developed countries, but should “make efforts to increase the ratio of tariff bindings to the highest possible level.”</p>
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Table 29: Canada's proposals directly relating to negotiations on tariffs during the Uruguay Round (WTO, 2014u).

Proposal symbol, time of circulation	Summary
MTN.GNG/NG1/W/6, 7 July 1987	<p>Canada makes a proposal that states the necessary next steps to be made by members in order to facilitate the preparation of the negotiations. Furthermore, Canada states "that all countries put themselves in a position to (a) negotiate the broadest and deepest possible package of trade liberalization, covering all goods and including the elimination of tariffs and non-tariff measures on a reciprocal and balanced basis and (b) fully bind their tariff schedules for all products."</p> <p>Members should also present "export interest lists to other participants. Such lists would identify on a tariff line basis the full range of products of actual or potential export interest to each participant as well as the associated market access problem to be dealt with, such as high and/or unbound tariffs, tariff escalation, OR's and other non-tariff measures."</p> <p>Canada also stresses the need "that all products are to be covered by negotiations (...)."</p>
MTN.GNG/NG1/W/26, 25 September 1989	<p>Canada makes its proposal on the modalities of the market access negotiations. Canada's proposal is "based on a combination of both a tariff formula and requests and offers". Canada proposes a formula allowing for a maximum of 38% of tariff reduction. Furthermore, a "second step would involve eliminating rates which fall below 3 percent after applying the above formula." Canada points out that "each participant would make every effort to minimize the number of exceptions to this tariff formula reduction." Concerning requests and offers, Canada "proposes that requests for greater than formula reductions, including tariff elimination on selected items with rates of 3 per cent and above after applying the formula, as well as for the elimination of NTB's not otherwise covered by general rules and disciplines, be exchanged by all participants as soon as possible with a view to engaging in a mutual exchange of tariff and NTB offers (...)."</p> <p>Furthermore, tariff reductions would "be phased out in equal annual steps over a period to be negotiated. In order to minimize partial or total exceptions from the formula, participants would be encouraged to negotiate longer phasing for sensitive products. Longer phasing would also be encouraged to assist developing countries to reduce their tariffs on the basis of the common formula."</p>

Table 30: Japan's proposals directly relating to NAMA negotiations during the DDA (WTO, 2014u).

Proposal symbol, time of circulation	Summary
TN/MA/W/5, 5 August 2002	Japan offers different points of discussion on the modalities of the negotiations. Japan aims at improving the binding ratio. Concerning a target tariff rate, Japan points out "that there existed a wide disparity in tariff rates among Members after the conclusion of the Uruguay Round. In realizing a fair expansion of trade, it is vital to reduce the tariff rates to a certain targeted level corresponding to the level of development". Furthermore, "tariff peaks that would have serious trade distorting effects should be rectified efficiently". Japan also points out that the "zero-for-zero" and "harmonization" approaches "should be promoted and discussed together with a formula approach and Target Tariff Rate approach". In addition to that, the "Bases for negotiations should be in principle bound rates based on the HS 2002 version".
TN/MA/W/15 TN/TE/W/17, 20 November 2002	According to Japan, "WTO Members should improve binding ratios by binding the tariffs of as many tariff lines as possible and should also improve the quality of concessions." Furthermore, Japan proposes that "each Member set a target level of a trade-weighted average tariff rate according to a formula while giving consideration to the level of development of each Member, with less than full reciprocal treatment for developing countries which have higher trade weighted average tariff rates, and that each Member reduce its trade-weighted average tariff rate to that level. Each Member will retain flexibility on ways to realize the target tariff level. Tariff peaks and tariff escalations should be rectified through "Zero-for-Zero" or "Harmonization". Also, "all Members are encouraged to participate in the ITA and the coverage should be expanded to include consumer electrical products, optical fibres" and "all Members are encouraged to participate in chemical "Harmonization" and the products coverage should be expanded as much as possible". Also, "the "Zero-for-Zero" or "Harmonization" approach is recommended for the following products including those products for which adequate discussions were not held during the Uruguay Round: consumer electrical products, bicycles, rubber and articles thereof, glass and articles thereof, ceramic products, cameras, watches, toys, electrical machinery parts, titanium and articles thereof, motor vehicles, textiles

	<p>and clothing, machine tools, construction equipment, bearing, certain articles of iron or steel and paper.” Furthermore, Japan proposes to use the harmonization “with regard to the textiles and clothing sectors” and ““Zero-for-Zero” should be adopted at least among the Members of which automobile industry is matured.” Concerning implementation periods and staging, “staging may be five years” and more “than five years should be allowed for developing countries that implement deeper than average cuts among the developing countries”.</p>
TN/MA/W/15/Add.1, 6 January 2003	<p>Japan addresses the issues of forest and fishery products. Concerning forest products, “Japan does not support the idea to call for further sector-specific tariff reductions in the forest products sector, including zero-for-zero and harmonization, in addition to the general tariff reduction formula, since it ignores the conditions and the management of forests in each country, seriously impedes the promotion of sustainable forest management, and does not represent the position of importing countries.” Concerning fishery products, Japan considers it “crucial to ensure that each Member retains flexibility among products when determining the level of tariffs, taking into account the level of fishery resources and the status of fishery management.” Furthermore, a “zero-for-zero approach in the fishery sector should not be pursued since it will abolish all tariffs regardless of the level of fishery resources, the management status and the importance of fisheries and fishing communities in each country”.</p>
TN/MA/W/15/Add.2, 4 March 2003	<p>Japan further specifies its proposal that, in addition to a formula approach, tariff reduction should be achieved through “zero-for-zero” and “harmonization” approaches in a number of sectors.</p>
TN/MA/W/15/Add.3, 26 March 2003	<p>Concerning NTBs, Japan stresses that “NTMs are linked, in many cases, to legitimate public policy objectives, such as health and environmental protection, it is not appropriate to automatically eliminate such measures.” Furthermore, Japan proposes that “export duties and export restrictions, that are implemented by the export side and have trade-distorting effects, should be taken up as NTBs”. Concerning “the harmonization of textiles and clothing, Japan suggests that any NTB that is unique to this area, such as country-of-origin marking, trans-shipment and so forth, should be addressed in parallel with the reduction of tariffs. Furthermore, as suggested in the zero-for-zero approach for the motor</p>

	vehicle sector, all NTBs that are unique in each sector, together with tariffs, should be treated simultaneously.”
TN/MA/W/15/Add.4, 18 April 2006	Japan promotes enhanced transparency on export restrictions. Japan “proposes a concrete text which aims to establish a new Agreement” on this issue, specifically addressing: “- procedures for publication of the rules and administration of export restrictions; - notification procedures to a Committee - publication of relevant statistics, such as domestic production.”
TN/MA/NTR/5, 4 July 2006	Japan makes a “NTB bilateral request”.

Table 31: Canada's proposals directly relating to NAMA negotiations during the DDA (WTO, 2014u).

Proposal symbol, time of circulation	Summary
TN/MA/W/9, 15 October 2002	<p>Canada states its general aims of “reducing and binding applied tariff levels which are not yet bound, reducing high bound rates and re-binding them at lower rates, and expanding the scope of duty-free trade. In addition, we favour eliminating "nuisance" tariffs and maximizing the use of ad valorem rates.” Furthermore, Canada “will not agree to bind valuable real cuts in our applied rates in return for purely pro forma liberalization, i.e. where cuts in high bound rates result in no decrease in applied rates - in other words, no improved market access.” In order to realize these cuts, “a combination of approaches will be needed, including sectoral agreements (both zero-for-zero and harmonization), formula-based approaches and the request/offer process.” Referring to the issue of existing sectoral agreements, Canada believes “that expanded membership would have positive spin-off benefits for all. In addition to broadening membership, we may also wish to expand product coverage within some of those agreements.” Concerning negotiations for new “zero-for-zero” sectoral agreements, Canada “would support new agreements for sectors such as fish products, forest products, fertilizers, energy-related equipment and non-ferrous metals.” Canada also points out that it would support a zero-for-zero agreement in the sector of environmental goods.</p>
TN/MA/W/9/Add.1, 4 March 2003	<p>Addressing the issues of NTBs, Canada presents a list of important NTBs “perceived to pose significant market access problems” by the Canadian trading community. Furthermore, Canada provides suggestions on which bodies of the WTO or which other organizations might be best suited to discuss the issues of these different NTBs.</p>

III: Timeline of Uruguay round and Doha Development Agenda negotiations.

Uruguay Round.

September 1986: Punta del Este Ministerial Declaration

December 1988: Mid-term review, Ministerial Conference in Montreal

April 1989: Completion of mid-term review

February 1990: Breakthrough agreement on modalities (market access negotiations)

July 1990: Draft text by Mr. Carlisle: Carlisle I (AD negotiations)

August 1990: Draft text by Mr. Carlisle: Carlisle II (AD negotiations)

October 1990: Breakdown of negotiations

November 1990: Draft text, New Zealand I (AD negotiations)

November 1990: Draft text, New Zealand II (AD negotiations)

November 1990: Draft text, New Zealand III (AD negotiations)

December 1990: Brussels Ministerial Meeting

March 1991: Resumption of Uruguay Round negotiations

November 1991: Ramsauer draft text (AD negotiations)

December 1991: Dunkel draft text

January 1992: Resumption of negotiations

November 1992: Blair House text on agriculture

July 1993: G7 summit in Tokyo

December 1993: Agreement on anti-dumping text reached. Some market access talks remain.

April 1994: Marrakesh agreements signed

Doha Development Agenda.

November 2001: Doha Ministerial Conference

September 2003: Cancun Ministerial Conference

September 2003: Collapse of negotiations

March 2004: Resumption of negotiations

July 2004: July Framework Agreement

May 2005: Paris negotiations

December 2005: Hong Kong Ministerial Conference

June 2006: “Towards NAMA modalities”

July 2006: Collapse of G-6 ministerial meeting in Geneva, suspension of negotiations

January 2007: Resumption of negotiations

June 2007: Collapse of G-4 ministerial meeting in Potsdam, breakdown of negotiations

July 2007: Revised draft modalities on NAMA

September 2007: Full resumption of multilateral negotiations

November 2007: Draft text on rules circulated by Chair of negotiation group on rules

February 2008: Revised draft modalities on NAMA

May 2008: Revised draft modalities on NAMA

June 2008: Suspension of negotiations

July 2008: Resumption of negotiations at the Geneva Ministerial Conference with the result of the breakdown of the negotiations after the conference. Revised draft modalities on NAMA

September 2008: Resumption of negotiations

December 2008: Negotiating texts on anti-dumping circulated by Chair of negotiating group on rules, latest draft modalities on NAMA

November-December 2009: Geneva Ministerial Conference

February 2011: G-11 ministerial meeting

April 2011: Circulation by Chairs of documents outlining the work of negotiation groups

December 2011: Geneva Ministerial Conference

December 2013: Bali Ministerial Conference

IV: Brief outline of the decision-making processes during the Uruguay round and DDA negotiations.

The Uruguay Round negotiations took place under a basic procedural division between negotiations on trade in goods and negotiations on trade in services: “Negotiations on trade in goods were placed firmly in the context of GATT, and defined in the first (...) part of the Declaration (...). The coming negotiations on trade in services were defined in Part II of the Declaration which (...) was adopted separately by ministers acting simply as representatives of their governments” (Croome, 1999, p.25). Accordingly, two different groups were established to guide each of these negotiations. Goods negotiations were led by a “Group of Negotiations on Goods” (GNG), while the negotiations on services were guided by a “Group of Negotiations on Services” (GNS). A third major body was the “Trade Negotiations Committee” (TNC) which directed the Uruguay Round as a whole.

Concerning the negotiations on goods, the following subjects for negotiations were defined: “tariffs, non-tariff measures, tropical products, natural resource-based products, textiles and clothing, agriculture, GATT Articles, safeguards, the MTN agreements and arrangements (i.e. the “codes” negotiated in the Tokyo Round), subsidies and countervailing measures, dispute settlement, trade-related aspects of intellectual property rights (including trade in counterfeit goods), and trade-related investment measures. A fourteenth negotiating subject is added by a section on “Functioning of the GATT System”” (Croome, 1999, p.27). Specific negotiation groups were established for each of these fourteen subjects on goods. Furthermore, an additional negotiation group for the negotiations on services was established (Croome, 1999, p.28). Finally, another important organ of the Uruguay Round negotiations was the Surveillance Body, which “was set up to keep performance under the standstill and rollback commitments under review” (Croome, 1999, p.28).

After a meeting of the TNC in February 1991, the number of negotiation groups on negotiations on goods was reduced to six, while the group on services was maintained. As Croome points out: “For negotiations on goods, however, there was little sense in maintaining 14 separate negotiating groups” (Croome, 1999, p.249).

Three of the new six groups dealt with the issues of textiles, agriculture and TRIPS, while the other three each dealt with all issues related to market access, rule-making and institutions. During a meeting of the TNC in January 1992, it was decided that a “four-track” approach should replace the remaining negotiation groups: “Tracks one and Two were to be the immediate launching of market access negotiations on, respectively, goods and services. Track Three was to be the textual clean-up of the Draft Final Act, with the understanding that this should not involve any changes on matters of controversy. Track Four (...) was to be the task of the TNC itself, which would “examine whether it was possible to adjust the package in certain specific places”” (Croome, 1999, p.286).

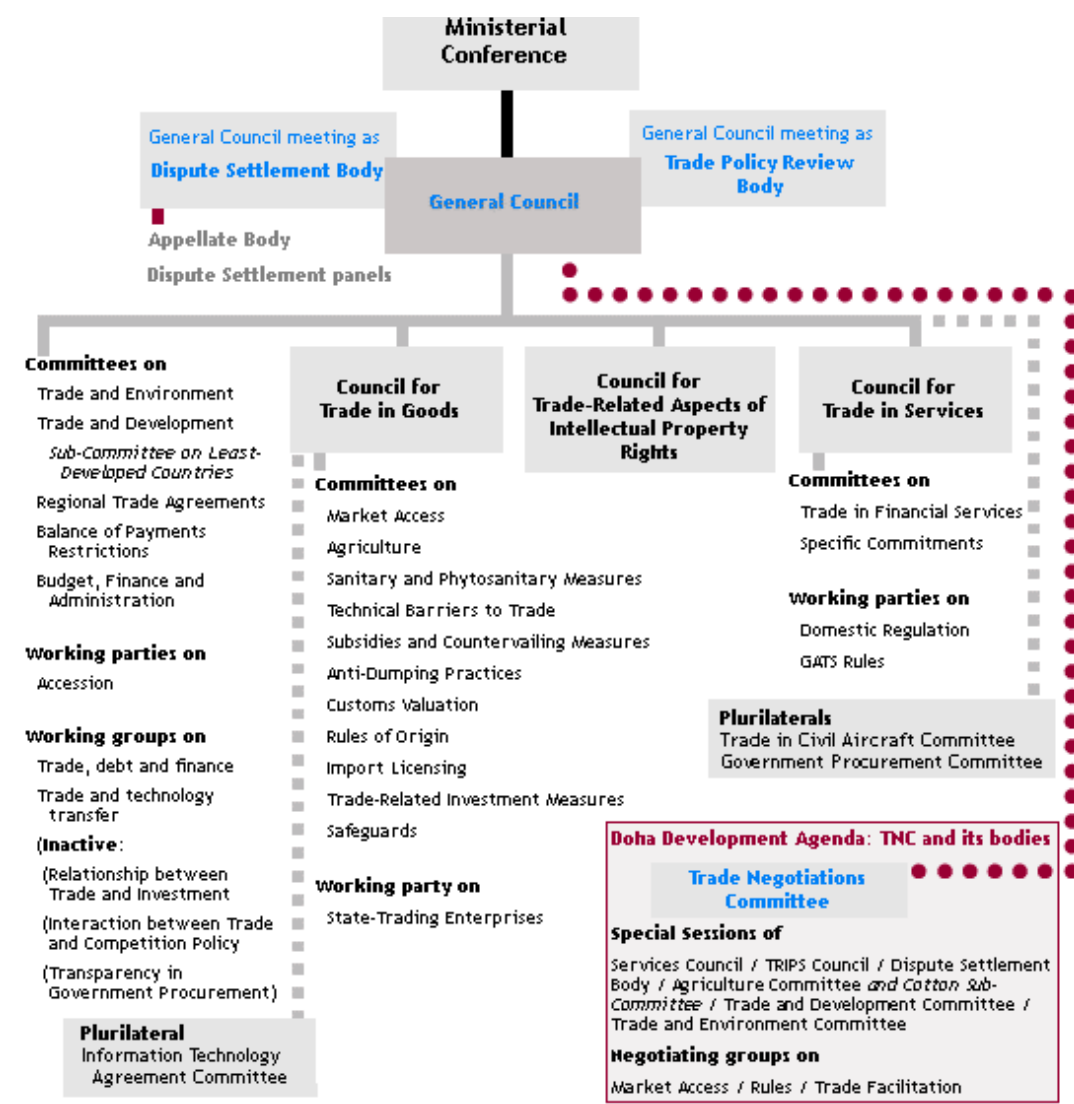
Concerning the WTO decision-making processes, both more political and more bureaucratic elements can be identified. The most important meetings at the WTO are the ministerial conferences, the “highest and most directly authoritative body at the WTO”, where trade ministers meet (Jawara and Kwa, 2003, p.13). According to Art. IV of the Marrakesh Agreement, a ministerial conference must meet at least every two years (WTO, 2014v). This ministerial conference level is the “apex body of the WTO” which “is political rather than bureaucratic/technocratic (and therefore unlike most of the Geneva-level activities that form the substance of the WTO)” (Narlikar, 2004, p.417). It interacts with the bureaucratic level of the technical every-day negotiations in Geneva which involves expert-level trade diplomats.

This more bureaucratic element, the every-day work at the WTO in Geneva, is carried out by government officials in different official and unofficial meetings. The “second most important body after the ministerial meetings is the General Council”, which meets “as appropriate in the intervals between the conferences” (Jawara and Kwa, 2003, p.16). The General Council consists of representatives of all WTO members. It “carries out the day-to-day business of the organization in Geneva between the ministerial meetings, and reports to the ministers on the progress and status of negotiations” (Jawara and Kwa, 2003, p.16). The General Council can also meet as the Dispute Settlement Body (DSB) or as the Trade Policy Review Body (TPRB). The DSB is responsible for settling trade disputes between WTO members. The TPRB drafts regular reports on “individual members’ own trade policies and practices” in order to “provide feedback to the country concerned on its performance,

and to provide information to outsiders (mainly the business community) about its trade policies and circumstances” (Jawara and Kwa, 2003, pp.16-17).

Below the general council, there are three Councils responsible for more specific areas, the Council for Trade in Goods, the Council for Trade-Related Aspects of Intellectual Property Rights and the Council for Trade in Services. In addition to that, there is a variety of Committees and Working parties dealing with specific negotiation issues (e.g. Market Access or Anti-dumping Practices) or other specific issues related to trade (e.g. Trade and Environment, Trade and Development). Furthermore, the Trade Negotiations Committee (TNC) of the DDA was established on 3 February 2002. The TNC reports directly to the General Council. It is “chaired, ex officio, by the WTO director general to push negotiations along. It will hold special sessions in the six areas identified in Doha, namely agriculture, TRIPS, the environment, dispute settlement, trade in services, and trade and development” (Jawara and Kwa, 2003, p.17). An overview of the decision-making structure of the WTO is provided in Fig. 15.

Figure 14: The structure of WTO decision/making processes (WTO, 2014w).



The WTO is a member driven organization run by the member governments, represented by ministers, ambassadors or delegates in the different meetings. As pointed out in Art. IX.1 of the Agreement establishing the World Trade Organization, decisions are taken by consensus: “The WTO shall continue the practice of decision-making by consensus followed under GATT 1947.” Furthermore, the agreement specifies: “The body concerned shall be deemed to have decided by consensus on a matter submitted to its consideration, if no Member, present at the meeting when the decision is taken, formally objects to the proposed decision” (WTO, 2014x). As Narlikar points out, “voting is allowed for under certain

circumstances, but for all practical purposes, the practice of consensus-based decision making dominates” (Narlikar, 2004, p.416).

Within this consensus-based decision-making, each country has officially one vote and thus each member formally has the same power. But, as Narlikar states: “In practice, however, most of the decisions were actually made under the ‘shadow of power’, where large economic size was used effectively as an ‘invisible weighting’ of votes” (Narlikar, 2012, p.187). Another important aspect of WTO decision-making is the fact that these formal decision-making structures are complemented by a whole variety of informal channels of diplomacy, which are of essential importance to the negotiations. As the WTO secretariat itself states, “breakthroughs are rarely made in formal meetings of these bodies, least of all in the higher level councils. Since decisions are made by consensus, without voting, informal consultations within the WTO play a vital role” (WTO, 2014y). As Narlikar points out, such “informal diplomacy often takes place in the evenings, well outside of the schedule of the WTO, and also outside of the WTO meeting rooms in corridors, cafés and restaurants. Consensus arrived at among the entire membership of the WTO in any of the formal meetings of the WTO is only possible as a result of the give-and-take, logrolling and concessions that have already taken place at informal meetings” (Narlikar, 2004, p.416).

V: Overview of current tariffs and imports of the Canadian and Japanese agricultural sectors.

Table 32: Tariffs and imports of the Canadian agricultural sector in 2011 (WTO, 2013a).

Tariffs and imports: Summary and duty ranges

Frequency distribution		Ranges								NAV in %	
		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100		
		Tariff lines and import values (in %)									
Agricultural products											
	Final bound		47.8	15.1	19.5	7.4	1.6	1.9	1.0	5.5	19.4
	MFN applied	2011	57.9	8.4	17.0	6.4	1.3	2.1	0.9	5.8	11.9
	Imports	2010	52.3	15.3	17.2	10.3	0.4	1.9	0.1	2.4	14.8

Tariffs and imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free in %	Max	Binding in %	AVG	Duty-free in %	Max	Share in %	Duty-free in %
Animal products	29,5	46.2	621	100	30,5	64.4	621	0.6	56.0
Dairy products	246,9	0	314	100	246,8	0	314	0.1	0
Fruit, vegetables, plants	3,5	58.7	19	100	3,5	58.6	19	2.0	82.7
Coffee, tea	9,8	55.2	265	100	10,4	76.4	265	0.7	67.6
Cereals & preparations	23,6	15.3	319	100	20,3	31.8	277	1.3	19.9
Oilseeds, fats & oils	5,4	50.4	218	100	4,8	57.9	218	0.5	62.6
Sugars and confectionery	6,5	7.8	30	100	5,0	28.1	27	0.3	5.2
Beverages & tobacco	7,5	26.8	256	100	4,2	48.1	256	1.2	34.3
Cotton	0,8	90.0	8	100	0,0	100.0	0	0.0	100.0
Other agricultural products	8,1	66.7	606	100	9,0	79.9	606	0.5	61.4

Table 33 Tariffs and imports of the Japanese agricultural sector in 2011 (WTO, 2013b).

Tariffs and imports: Summary and duty ranges

Frequency distribution		Ranges								NAV in %
		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	
		Tariff lines and import values (in %)								
Agricultural products										
Final bound		34.1	18.1	15.7	7.9	10.6	6.5	1.8	5.2	15.1
MFN applied	2011	34.9	17.3	15.7	8.3	10.4	6.8	0.8	5.1	12.1
Imports	2010	46.3	14.2	14.0	6.3	9.2	9.6	0.2	0.1	4.6

Tariffs and imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free in %	Max	Binding in %	AVG	Duty-free in %	Max	Share in %	Duty-free in %
Animal products	15,0	45.7	540	100	15,7	43.8	472	1.7	3.1
Dairy products	150,6	0	687	100	178,5	6.7	687	0.2	29.2
Fruit, vegetables, plants	10,1	19.6	378	100	12,3	19.7	378	1.2	13.4
Coffee, tea	14,3	22.2	182	100	16,3	22.2	182	0.4	62.7
Cereals & preparations	73,4	8.2	859	100	68,3	9.8	827	1.5	67.2
Oilseeds, fats & oils	10,3	46.2	629	100	11,0	42.4	587	0.9	78.4
Sugars and confectionery	52,0	7.3	199	100	28,4	10.6	124	0.1	70.3
Beverages & tobacco	18,0	19.1	57	100	15,4	32.3	57	1.1	66.1
Cotton	0,0	100.0	0	100	0,0	100.0	0	0.0	100.0
Other agricultural products	5,8	66.5	450	100	4,2	70.4	441	0.7	70.7

VI: Overview of current tariffs and imports of Canadian and Japanese non-agricultural products.

Table 34: Tariffs and imports of Japanese non-agricultural products in 2011 (WTO, 2013a).

Tariffs and imports: Summary and duty ranges

Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV
		Tariff lines and import values (in %)								in %
Non-agricultural products										
Final bound		55.9	25.7	15.2	2.1	0.4	0.3	0.0	0.1	1.7
MFN applied	2011	57.1	25.2	14.9	1.9	0.4	0.3	0.0	0.1	2.0
Imports	2010	82.6	9.6	6.2	1.4	0.2	0.0	0.0	0.1	0.8

Tariffs and imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free	Max	Binding	AVG	Duty-free	Max	Share	Duty-free
		in %		in %		in %		in %	in %
Fish & fish products	4,9	4.9	12	91.3	5,5	4.7	15	2.2	5.2
Minerals & metals	1,0	69.9	10	99.9	1,0	70.4	10	23.3	93.3
Petroleum	9,8	54.2	197	80.0	0,5	74.6	8	18.3	97.3
Chemicals	2,3	37.4	7	100	2,2	39.7	7	9.3	60.1
Wood, paper, etc.	1,0	78.8	10	97.6	0,8	80.9	10	3.1	70.7
Textiles	5,6	7.6	25	100	5,5	8.1	25	1.9	7.6
Clothing	9,2	0	13	100	9,1	1.8	13	3.7	0
Leather, footwear, etc.	10,9	50.3	552	100	12,0	54.1	552	1.8	44.3
Non-electrical machinery	0,0	100.0	0	100	0,0	100.0	0	8.3	100.0
Electrical machinery	0,2	95.5	5	100	0,1	97.8	5	11.7	97.6
Transport equipment	0,0	100.0	0	100	0,0	100.0	0	2.8	100.0
Manufactures, n.e.s.	1,1	77.0	8	100	1,2	75.6	8	5.8	90.6

Table 35: Tariffs and imports of Canadian non-agricultural products in 2011 (WTO, 2013b).

Tariffs and imports: Summary and duty ranges

Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV
		Tariff lines and import values (in %)								in %
Non-agricultural products										
Final bound		36.1	8.1	40.1	8.2	7.1	0	0	0	0.3
MFN applied	2011	73.4	6.1	12.5	1.4	6.7	0	0	0	0
Imports	2010	67.4	2.9	26.0	0.7	3.1	0	0	0	0

Tariffs and imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free in %	Max	Binding in %	AVG	Duty-free in %	Max	Share in %	Duty-free in %
Fish & fish products	1,1	78.1	11	100	0,9	82.2	11	0.6	77.9
Minerals & metals	2,7	50.1	16	99.5	1,0	84.3	16	13.9	85.6
Petroleum	6,8	0	8	80.0	0,5	91.0	5	8.5	99.3
Chemicals	4,5	27.1	23	100	0,9	84.6	16	11.8	68.8
Wood, paper, etc.	1,5	77.3	16	100	1,0	85.2	16	4.8	78.3
Textiles	10,7	10.0	18	100	3,8	57.7	18	1.7	25.1
Clothing	17,2	0.9	18	100	16,9	3.3	18	2.0	0.3
Leather, footwear, etc.	7,4	23.2	20	100	4,0	65.7	20	2.2	28.5
Non-electrical machinery	3,4	46.0	14	100	0,5	92.2	9	14.5	95.2
Electrical machinery	4,3	36.0	11	100	1,1	82.6	9	9.9	83.3
Transport equipment	5,6	28.1	16	93.5	5,8	41.2	25	16.9	13.2
Manufactures, n.e.s.	3,9	41.9	18	99.8	2,8	57.9	18	6.1	73.7

VII: Combined economic market size and size of population of the negotiating coalitions that Japan and Canada participated in during the Uruguay round and DDA.

Table 36: Market and population size of coalitions active during the Uruguay Round and the DDA negotiations.

Coalitions active during the negotiations of both the Uruguay Round and the DDA.	
APEC	Concerning APEC, its combined population after its formation in 1989 was 772.1 million (14.8% of world population). APEC accounted for 41.1% of global GDP in 1989 (IMF, 2013). Due to the accession of further members, the combined population it represented increased to 960.9 million in 1994 (17.1% of world population) (IMF, 2013, World Bank, 2013a). Similarly, the share of global GDP represented by APEC members increased to 46.2% (IMF, 2013). The combined population represented by APEC at the beginning of the DDA was 2575.6 million (41.6% of world population then) and further increased to 2764.5 million in 2011 (39.6% of world population) (IMF, 2013, World Bank, 2013a). In 2001, APEC accounted for 48.2% of global GDP, a figure which increased to 52.3% in 2013 (IMF, 2013).
Cairns group	At the start of the Uruguay round, the Cairns group accounted for 8.5% of global GDP, a figure which slightly decreased to 7.8% in 1994 (IMF, 2013). The Cairns group accounted for a combined population of 729.4 million in 1986 (14.8% of world population) and 852.1 million in 1994 (15.1% of world population) (World Bank, 2013a). The Cairns group accounted for 7.4% of global GDP at the beginning of the DDA and its share slightly decreased to 7.2% in 2013 (IMF, 2013). The coalition accounted for a combined population of 959.1 million people in 2001 (15.5% of world population) and 1094.9 million in 2011 (15.7% of world population) (World Bank, 2013a).
OECD	The combined population of OECD members in 1986 was 829.2 million (16.8% of world population) (World Bank, 2013a). The OECD accounted for 61.8% of global GDP in 1986 (IMF, 2013). In 1994, the combined population it represented increased to 879.7 million (15.7% of world population) (World Bank, 2013a). The share of global GDP represented by OECD members decreased to 56.5% in 1994 (IMF, 2013). The combined population represented by OECD members in 2001 was 1164.6 million (18.8% of world population then) and

	further increased to 1249.2 million in 2011 (17.9% of world population) (World Bank, 2013a). In 2001, the OECD accounted for 58.3% of global GDP, a figure which decreased to 45.3% in 2013 (IMF, 2013).
Coalitions active only during the DDA negotiations.	
Colorado group:	In 2003, the combined share of world GDP of the Colorado group was 51.3%. This figure decreased to 39.9% in 2013 (IMF, 2013). The combined population of the Colorado group was 1000.2 million in 2003 (15.8% of world population then) and increased to 1049.8 million in 2011 (15.1% of world population then) (World Bank, 2013a).
Friends of Anti-dumping Negotiations (FANs)	At the start of the Doha round, the members of the FANs coalition accounted for a combined share of global GDP of 16.9%, but this figures slightly decreased to 14.9% in 2013 (IMF, 2013). The FANs accounted for a total population of 692.6 million in 2001 (11.2% of world population) and 757.2 million in 2011 (10.9% of world population) (IMF, 2013, World Bank, 2013a).
Friends of Ambition	In 2004, the Friends of Ambition accounted for a share of 50.3% of world GDP. This figure decreased to 39.9% of world GDP in 2013 (IMF, 2013). Their combined population was 975.1 million in 2004 (15.2% of world population) and slightly increased to 1017.5 million (14.6% of world population) in 2011 (World Bank, 2013a).
Friends of Environmental Goods:	At the time of its formation the coalition accounted for 47.7% of global GDP and the combined population of its members was 1046.9 million (15.7% of world population) (IMF, 2013, World Bank, 2013a). The share of global GDP represented by the coalition decreased to 41.8% in 2013 (IMF, 2013). The combined population of its members was 1067.8 million in 2011 (15.3% of world population) (IMF, 2013, World Bank, 2013a).
Joint Proposal Group:	At the time of circulation of its proposal in 2002 (TN/IP/W/5) (WTO, 2002c), the Joint Proposal group accounted for a combined population of 719.7 million (11.4% of world population) (IMF 2013, World Bank 2013). The group accounted for 34.8% of global GDP in 2002. After a number of changes in membership, the group accounts for a share of global GDP of 32.2% in 2013 (IMF, 2013). The group accounted for a combined population of 875.7 million (12.6% of world population) in 2011 (IMF, 2013, World Bank, 2013a).
G-10:	The combined share of global GDP of the G-10 members was 11.57% after its formation in 2003 and then decreased to 8.508% in 2013 (IMF, 2013). Their combined population was 226.1 million in 2003 (3.6% of world population) and slightly increased to 230.6 million (3.3% of world population) in 2011 (IMF, 2013, World

	Bank, 2013a). Japan represents by far the largest market in the coalition (ICTSD, 2009, p.9).
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VIII: Sectoral initiatives during the non-agricultural market access negotiations of the DDA.¹²⁶

Table 37: List of sectoral initiatives during the DDA non-agricultural market access negotiations.

Sector	Proponents	Document symbol ¹²⁷
Automobile and auto parts	Japan	JOB(08)/59
Bicycles and parts	Singapore, Switzerland, Chinese Taipei , Thailand	JOB(08)/73
Chemical products	Canada, Croatia, EU, Japan, Norway, Singapore, Switzerland, Chinese Taipei, US	JOB(08)/61 JOB(08)/61/Add.1
Electronic and electrical goods	Korea, Hong Kong, Japan , Singapore, Thailand, US	JOB(08)/67
Fish and fish products	Canada, Hong Kong, Iceland, New Zealand , Norway, Oman, Singapore, Thailand, Uruguay	JOB(08)/62
Forest products	Canada , Hong Kong, New Zealand, Singapore, Switzerland, Thailand, Ukraine, US	JOB(08)/63
Gems and jewellery	Australia, Canada, EU, US , Hong Kong, Japan, Norway, Singapore, Switzerland, Chinese Taipei, Thailand	JOB(08)/64 JOB(08)/64/Add.1
Hand tools	Chinese Taipei	JOB(08)/74
Open acces to enhanced healthcare	Singapore, Switzerland , Chinese Taipei, US	JOB(08)/71
Industrial machinery	Canada , EU, US , Japan, Norway, Singapore, Switzerland, Chinese Taipei	JOB(08)/60
Raw materials	Australia, United Arab Emirates	TN/MA/W/37/Add.5 TN/MA/W/37/Add.6 TN/MA/W/37/Add.7
Sports equipment	Norway, Singapore, Switzerland, Chinese Taipei , US	JOB(08)/75
Textiles, clothing and shoes	EU	JOB(08)/78
Toys	Hong Kong , Chinese Taipei	JOB(08)/66

¹²⁶ Countries in bold are the main proponents of the sectoral initiatives.

¹²⁷ Available at: http://docsonline.wto.org/gen_home.asp?language=1&_=1

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