

A Strategy for Thailand's Trade Diplomacy

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Introduction

Thailand has become much more open to the world in the last twenty years, consistently ranking as one of the top 15 trading entities in the world (the EU-15 count as one). The change has been deliberate, through shifts in policy, but it has also been a part of the general process of globalization. Recent setbacks notwithstanding, this process of integration with the country's neighbours and with the world seems bound to continue. The strategic challenge for Thai trade diplomacy will be to help ensure that this process of increased integration is sustainable. This paper was commissioned as an overview of the issues that will be likely to arise in trade diplomacy, including a review of the existing and future global trading environment, institutions and laws. What should be the roles of multilateral, regional and bilateral trade organizations? Most importantly, what might be the implications for developing countries like Thailand, and what choices might they have of different institutional and/or management scenarios? Structural change requires that the rules, domestic and international, adapt. The paradox of closer integration, therefore, is that it requires **more** effort by governments, not less, and that effort often involves cooperation with other governments. Moreover, closer integration with the world can mean that structural change elsewhere requires adaptation at home.

Thailand has assumed a more liberal policy orientation in recent years, and the commodity composition of its trade has shifted, as manufactured exports, especially electronics, become more important than textiles and clothing, or agriculture in the country's trade. When the Uruguay Round commitments are fully phased in, there will be more tariff reductions, lower support for farmers, and changes to policies affecting investment and intellectual property. Intra-industry trade is important, and higher value-added manufacturing represents an increasing share of Thai exports, as firms are becoming part of multinational production networks. South-East Asian economies have received enormous flows of foreign direct investment in recent years, much of it from Japan and, to a lesser extent, the United States. This investment is of course directly related to trade flows, since it

forms part of the production network strategies of multinational enterprises. While it is true that three quarters of Thai exports went to APEC in 1994, it is also true that over half went to members of the OECD. ASEAN takes a bigger share of Thai trade than the EU, but Europe remains a major market (WTO, 1995). Thailand's integration into world markets seems likely to continue. When the current turmoil has passed, foreign investment will continue to increase, re-shaping the economy. The accelerating decline in the cost of communications will make it easier to produce sophisticated goods and services for distant markets, while bringing the Thai market closer to faraway producers.

Thailand is not alone in this transformation. Two themes affect the current evolution of international trade agreements. One, the subject of a recent speech by Renato Ruggiero,¹ is the movement towards a supposedly borderless world, a world of "deep integration." The forces at work are seen in transaction flows of investment and services (especially telecommunications and financial services), but these forces are also seen in the "new" agenda for the trading system: investment, intellectual property, competition policy, and so on. The second theme, which is just as important, is the continuing even strengthening role of the state. The state may be threatened on all sides, but it remains the locus of identity for most people, the basis of a sense of community.

The importance of the state notwithstanding, it is less and less helpful to think of "Thailand" as a physical entity for economic purposes, because the global economy is organized by transaction flows not by territory. The sources of the rules affecting trade flows go beyond any one country. Thai trade is influenced by the practices of multinational enterprises, big international law firms, and consumers in distant markets. Thai policy is shaped by interaction with international organizations, and constrained by the views of global investors. The global flows of goods, services and capital that pass through Thailand can be facilitated or impeded, but they are not caused by the Government, and some traditional levers of economic policy have become disconnected. In this world where territory is of diminished significance, tariffs will be less and less important. Many countries have reduced such border measures faster than required by international agreements. The future challenges for the trading system, and for Thailand, involve the regulatory framework more than direct price-based measures. The role of the state continues, but adaptation is essential.

Open and predictable trade and investment regimes with their incentives for producers and benefits for consumers provide a strong stimulus for economic growth and jobs. A liberal trading system with transparent rules and procedures facilitates stable relationships among governments and the global organization of enterprise through investment, trade and technology transfer. The need for such a system is particularly crucial as new technologies and intensified competition require access to large markets to achieve economies of scale. Globalization of world markets is raising important policy and governance issues for all countries. The risk

¹ Renato Ruggiero, "Charting the Trade Routes of the Future: Towards a Borderless Economy," September 1997, <http://www.wto.org/new/press77.htm>.

is that what Ostry calls “system difference” will lead to friction (Ostry, 1997, p. 173). This kind of conflict has seemed endemic for years in Japan-US relations, but it could be imported into South-East Asia. Thailand and other ASEAN countries are facing especially serious challenges. These countries will have to make rapid and sweeping adjustments to their regulatory frameworks to sustain their strong economic performance and remain competitive in world markets.² These issues facing Thai trade diplomacy are summarized in Figure 1.

² This was the conclusion of a TDRI conference of local and international experts on “new issues” on the WTO liberalization agenda, see Flatters and Gillen (1997).

Figure 1: Issues for Thai trade diplomacy

Issue	Questions	Priority action/forum
<p>1) Market Access</p> <p>a) for Thai exports</p>	<p>Examples:</p> <p>electronics</p> <p>textiles and clothing</p> <p>agriculture</p>	<p>WTO: implementing and extending the ITA</p> <p>WTO: ensure phase-out of the MFA allowing access to OECD markets</p> <p>Cairns Group: ensure resumption of WTO negotiations in 1999</p>
<p>b) for Thai imports</p>	<p>import liberalization can be important for Thai firms, to ensure access to the latest technology, at the best price</p> <p>firms also need competitive business services, including telecommunications and financial services</p>	<p>reduction of border measures can be:</p> <p>unilateral—Thailand or voluntary—APEC or reciprocal—WTO or AFTA</p>
<p>2) Domestic Regulatory Reform</p>	<p>Is it sensible to consider harmonization, either to promote globalization or to mitigate its effects?</p>	<p>discussions with or in: OECD, ESCAP, PECC, APO</p>
<p>2. a) Competition policy</p>	<ul style="list-style-type: none"> • no strong consensus among economists about the net impact of many business practices on a market—in sharp contrast with the wide consensus about the net gains from freer trade. • is there a role for international action, given that such national competition laws as exist are embedded in different economic, political and philosophical backgrounds? • would every WTO Member have to have a national competition authority? 	<p>UNCTAD</p> <p>APEC</p> <p>WTO working party</p> <p>OECD</p>

2. b) Investment regulation	how to ensure that a) Thailand remains attractive to FDI, while protecting Thai interests? b) Thai companies can use FDI to support their business plans?	UNCTAD, APEC OECD MAI WTO working party
2. c) Core Labour Standards	Labour standards has been shunted to the ILO, for now. Can the system respond to the political consequences of globalization in OECD countries without harming the WTO?	APEC, OECD, ILO
2. c) Trade and the Environment	should WTO have a code (similar to Article XXIV) on when international environmental agreements could have a trade-related component?	WTO Committee APEC
3) Trade Facilitation	Transparency and adherence to international norms in such things as customs procedures and Rules of Origin eases trade in goods: if procedures are simpler, consumers benefit from lower prices, but so do small firms and new traders, who may be inhibited by procedural complexity.	APEC work in CTI on CAP WTO Built-In Agenda World Customs Organization
4) International architecture	learn about new challenges shape an emerging consensus reciprocal market access forum for settling disputes	ASEAN, APEC, UNCTAD, ESCAP, OECD, PECC, APO APEC, WTO AFTA, WTO WTO
4. a) Regionalism: costs and benefits?	is "open regionalism" a contradiction in terms? how to respond to American and European regionalism is Asian regionalism either a defence or a benefit?	does APEC, AFTA or EAEC offer the best opportunities? or is the WTO the best trade agreement with Thailand's neighbours?

These challenges are hard for any country to manage: understanding a rapidly evolving global trading system is beyond the analytic capacity of any government acting alone, and the challenges are not only analytic. Economists may know that free trade is best, but they do not agree on the details of what that means in every circumstance in an era when simple price-based border measures are of declining relevance, and their views evolve: the inclusion of the then new issues of services, investment and intellectual property on the agenda of the Uruguay Round

responded as much to changes in the ideas of economists as it did to changes in flows of transactions in the real economy (Kahler, 1995b; Krugman, 1987; Ostry, 1990). Even if economists did agree, consistently, expertise in itself never makes a policy politically legitimate. Part of what is essential in making trade policy—as in any other domain—is the means available to *governments* to learn about and agree on appropriate policy. The world economy is not a thing, nor does it exist in some state of nature: it is a social institution. States created the trading system, understood as the set of practices, understandings and rules that permit exchanges across borders. That system in turn has a powerful affect on how states regulate trade. The challenge for trade diplomacy is knowing how to work with other relevant actors—consumers, firms, governments, international organizations—to manage this growing complexity.

Thailand will not choose a policy of autarchy in economics, or isolation in politics, yet it will wish to retain some policy autonomy in both domains. As small countries cannot impose their preferences on the world, it follows that Thailand has a stake in the international system. The perspective of this paper might be thought naive, on the grounds that small countries can no more affect the trading system than individuals can affect the weather. But just as individuals can build better or worse houses, countries can work to prevent climate change. They may have to work with other countries, but the effort is not futile. The challenge is how best to deploy diplomatic resources. Those resources include analytic talent, efforts to build a domestic consensus, the network of diplomatic missions, membership in international organizations (which can be costly in time as well as money), the time of negotiators, and the time of Ministers.

In brief, I argue in the concluding recommendations that Thailand should devise a trade diplomacy centred on using the World Trade Organization (WTO) as its principal trade agreement with all of its trading partners. Trade diplomacy depends in part on finding ways to let other people do the work. Ideas are an expensive and scarce resource. It can be simpler to work with others, even to accept agreements negotiated elsewhere. In countries where inter-ministerial coordination is difficult, or the power of domestic lobbies exceptionally strong, it can be helpful to claim that a new policy is required by WTO rules, thereby foreclosing domestic debate. It can also be helpful to use some organizations as talking shops, useful for learning about policy challenges, while giving authority only to WTO negotiators, whose freedom of action may be more limited by the power of WTO members, collectively. The WTO is a Single Undertaking. A country can accept all the rules, or none. Everyone can try to shape the rules as the negotiations proceed, but when a Round is concluded, that is it. Thailand should use regionally-oriented international organizations in support of this strategy, along with bilateral contacts.

The rest of this paper is organized as follows. In the next section, I argue that a focus on the state and state policy remains important despite the forces of globalization. In the third section I discuss the tools of trade diplomacy. In the fourth section I discuss regionalism, and APEC, as a possible alternative to multilateralism, before offering an analysis of the current and future agenda for the WTO. The paper

concludes with strategic recommendations concerning the WTO, working relations with other countries, and the tools of trade diplomacy.³

The Continuing Relevance of the State

The global political order is a multistate order (Zacher, 1997). The global economy has a powerful influence on this political order, but the global economy exists within the political space created by this system of states. A strategy for Thai trade diplomacy by definition depends on the role of the state. States are not an historical anachronism but rather a constitutive element of global order. States provide the essential security and stability in which commerce can flourish, and they provide the domestic economic security without which stability is impossible. That is the fundamental paradox of the system of states, since the one role inevitably undermines the other. In brief, I argue that global order is not a random walk between international *laissez-faire* and domestic social protection, nor is it a by-product of a supposed concentration of something called power in the hands of a putative hegemon. Rather the current international order embodies the "compromise of embedded liberalism," in which international openness is reconciled with the essential domestic role of the state (Ruggie, 1983).⁴

States provide for the regulation of the global economy directly, since they are the only locus of authority, and they do it indirectly through the network of international regimes that they have created. These international regimes in the narrowest sense solve the coordination problems that arise when states try to pursue their differing domestic objectives. The claim, in other words, is that in a modern liberal democracy, political support for liberalization (and hence for allocative efficiency) rests on a perception of distributive justice. If the mechanisms of redistribution are seen to fail, then there will be little support for policies that increase net welfare. As barriers continue to fall, however, welfare capitalism erodes (Ruggie, 1994). Domestic institutional structures, including the nature of the labour market, labour standards, social policies and environmental regulations, come to be seen as barriers or impediments to trade. If all barriers were removed at once, however, the result could be chaos: the market is not self-regulating (Polanyi, 1944).

It is convenient to think of "trade policy" as meaning any government policy that can have the effect, whether or not intended, of altering the flow of goods and services across national borders. Trade policy is microeconomic policy, a domestic policy aimed at domestic economic objectives for domestic political reasons. It can be used for "protection," aimed at stopping or at least slowing the pace of adjustment to global change; and it can be used as a means of judiciously

³ I should stress that my brief did not require me to look at the content of Thai trade policy nor the intricacies of Thai policymaking, including the role of organized interests. Nevertheless, readers will guess at my implicit views on these questions at some points in the text. I should also stress that this study was completed without reference to the larger TDRI study on the Ministry of Commerce as a whole.

⁴ This order can be described as a transformation curve defined by the fundamental material and social forces of change (Wolfe, 1997a).

introducing the cold global winds of competition to the sheltered domestic economy in order to force the pace of structural adjustment. In a modern economy the policy instruments of interest extend far beyond old-fashioned measures that exist only at the border, like tariffs and import quotas, to such framework policies as those affecting competition, investment, and intellectual property rights. To take the Canadian example, the GATT counted 48 federal statutes which may affect trade; there are no doubt many more provincial measures. Canada's implementing legislation for the WTO Agreement involved amendments to 29 federal statutes, on matters ranging from banking licenses to entry visas for business people, to pest control products. It is part of the WTO faith that liberalization promotes trade, which promotes growth. Trade contributes to the pursuit of economic growth first from exports and outward investment opportunities, and second from increased efficiency, due to inward investment and technology flows, and to the stimulus of increased import competition. The fact that during the GATT's five decades, world trade grew much faster than output is taken to be the underpinning of global prosperity. The costs of growth, however, are often felt by individuals. Trade policy change is seen to be politically acceptable when there is **reciprocity** both between countries and within countries, allowing the benefits to be redistributed and the costs to be shared.

Some economists ask whether reciprocity as the normative basis of the system remains appropriate in the face of the apparent move from 'shallow' to 'deep' integration.⁵ The GATT/WTO system is said to involve mostly shallow integration based on the negotiated reduction of border measures, but deeper levels of integration will involve almost any national policy likely to have spillover or externality effects that cross borders, leading to the creation of legal, regulatory and social institutions that conform to global norms (Bosworth and Ofer, 1995, pp. 2-3). This move to consider domestic economic structures makes certain conceptual premises of the postwar order problematic or irrelevant, even in the United States. Ruggie's list of antiquated ideas includes the notions "that the international economy consists of territorially distinct and disjoint national economies linked by 'external' transactions; that these transactions are carried on at arms-length; [and] that border measures are effective policy tools... (Ruggie, 1996, p. 136)." The original GATT assumed that as long as domestic policies did not treat imported goods unfairly (national treatment), only border measures were likely to affect transaction flows, but the assumption no longer holds in trade theory or practice. Domestic policies do affect transaction flows, and territory no longer matters. The questioning of the normative basis of the system animates recent instrumental proposals to set global free trade as a 10 or 15 year objective for the trading system. A former American negotiator has even argued that if "global contestability" or "global competition" were the WTO norm, domestic regulatory reform would properly be seen as central to global liberalization (Geza Feketekuty, in a comment in Schott, 1996, p. 249). These normative views of economists also affect legalists. Jackson believes that the goal of the WTO is to create 'a strong "rule-oriented system"—that is, a system that gives guidance to millions of entrepreneurs around the world in the

⁵ See the Preface to the volumes in the "Integrating National Economies: Promise and Pitfalls" series e.g. Lawrence (1996).

form of predictable and generally stable rules for acceptable conduct. Such guidance is necessary for investment decisions, market opening decisions, and technological decisions (Jackson, 1996, p. 154).'

References to "rules" in the context of the trading system cause considerable confusion. Legalists contrast a rule-oriented system with one based on power, as if mere instrumentalities would be sufficient to constrain a supposed hegemon. A different dichotomy is created by some economists who contrast *rules* created by sensible technocrats with *discretion* exercised by fallible politicians (Gutián, 1992). A third distinction, between systems that fix rules, and those that fix outcomes, is fundamental to the GATT. The normative desire to end quantitative restrictions was a central political objective of the founders, who were reacting to the managed trade of the 1930s. Results-oriented approaches assume governments know how to manage the market; rule-oriented approaches assume governments are able to create the framework in which competition among firms can take place (For illustrative examples of the two sorts of approach, see Figure 1.2 in Hoekman and Kostecky, 1995, p. 25). If embedded liberalism endures, governments will have difficulty accepting *either* laissez-faire *or* managed trade since both undermine the compromise on which postwar order is based. Complete free trade would be a return to the self-regulating market, but managed trade is the other extreme: it prevents adjustment, and it is not multilateral due to the arbitrary way in which it externalizes adjustment costs.

The rhetoric of market contestability is economically appealing, but potentially naive. Economists often claim that the need for deeper integration creates the necessity for multilateral 'harmonization' of formerly domestic regulatory policies using arguments comparable to the claims that it is better for a country to eliminate its own tariffs unilaterally than fret about the tariffs of other countries. The effect of regulation on commercial transactions is less well understood, however, than the effect of price-related measures, and countries' legitimate policy objectives are not necessarily easy to reconcile. If unilateral liberalization in market access terms meant allowing a firm to face the same regulatory structure in Thailand as in California (or in California as in Thailand), then liberalization would be practically impossible, economically undesirable, and politically unthinkable. Markets are never unregulated, the things under consideration are so embedded in different national histories that they will never be made uniform, and regulatory differences can be a legitimate form of comparative advantage. Even if harmonization were thought desirable, it should not be unilateral, for the only standard towards which small countries could then adapt would be the *de facto* standard set by large countries. Such standards could well be economically inefficient for developing countries, as well as being politically difficult to accept.

One way of expressing the political logic of the trading system is to argue that a country can do whatever it likes at home, so long as firms from other countries are treated equally to each other and to domestic firms. "Don't shoot other countries in the foot" could be said to be the basic political imperative. Economists find this logic bizarre, however, since small countries are incapable of shooting other

people's feet.⁶ Market distorting policies can affect others (i.e. can be externalized) only to the extent that they affect international prices. Economists advise small countries, therefore, to be concerned only with their own trade policy, since it is the importing country that benefits from the reduction of its own trade barriers, and nothing a small country does can influence world prices. Yet the whole trade negotiation process seems to economists to be built on the fiction that trade actions by small countries mainly hurt other countries. A small country's tariff reductions are called "concessions" since they are seen as something being given up, in order to wring comparable "concessions" from some other country, rather than self-interested actions. From this perspective, the role of the WTO is limited to advising countries to "Stop shooting yourself in the foot." This advice might be useful, they argue, if it helps governments constrain the power of domestic lobbies.⁷

Economists accept that the WTO might also have a role in two other circumstances. First, prices could be affected by the actions of a small country that might have market power in some market(s), by a group of countries acting in concert that could have market power that none would have individually, and by small countries in general. Second, small countries might be legitimately concerned with policy in a large trading entity like the USA, if the US policy causes their exports to be lower priced or imports to be higher priced than in the absence of the US policy. In these circumstances, game theoretic arguments can be constructed for the WTO as the solution to the Prisoner's Dilemma problems of collective action: groups of small countries will be better off if they can work together to discipline the trade policies of all countries. The order created in the GATT era in consequence looks much different to small countries than did the later nineteenth century—when it seemed that world markets were being carved up by competitive European empires—or the 1930s, when the imposition of the American Smoot-Hawley tariff set off a downward spiral of market closure.

The functional logic that the WTO exists because it serves a purpose that can be reduced to the microfoundations of individual and state 'interests' begs the question of where it came from, and, in consequence, of whether it will continue. The claim about the WTO existing to prevent shooting others in the foot is normative not instrumental, and the norm relates as much to stable international relations as to sound economic policy. The possibility of one small country being able to hurt another is not the issue. Spitting on the street does not cause floods, but when we all do it, something about social order is undermined. States have learned that a world in which countries felt free to externalize the negative effects of domestic choices has less prospect of being orderly than one in which the political logic of the WTO prevails. Large and small countries alike have also learned that the most effective way to be concerned about the policy of large countries, or groups of

⁶ This section draws on communications with my colleague Frank Flatters. (See also Flatters, 1997.)

⁷ In the extreme version of the view, "political failure" is endemic, but it can be "corrected" by using the WTO as a constraint on wayward governments subject to the equilibrium outcome of interest group competition (Hoekman and Kostecki, 1995, p, 24).

small countries, is to act in concert, multilaterally, negotiating agreements and monitoring implementation through the WTO. At a minimum, the WTO helps reduce transactions costs by allowing even the largest traders to have one trade agreement with the world rather than dozens of agreements, one for each partner. Firms benefit from having one rule in covered domains, rather than one for each market or regional grouping. Neither firms nor governments need to reinvent the wheel, and neither need worry that a neighbour is getting a better deal in important markets.

When economists talk about “deep integration” as part of the response to globalization, they mean that globalization represents the needs of the market for ever greater price flexibility and factor mobility. Politics, however, is local. Communities depend on social cohesion. This form of integration is not served by ever larger states. Politics may favour the proliferation of states, therefore, even as economics seems to favour their elimination. The responsibilities of states to their citizens will not diminish. The paradox is that an increasing role for global markets will call for an increasing role for states and their global institutions. If the international order is to be stable, these institutions must be flexible. States may face similar problems, and firms may feel the heat of system friction, but international agreements that tell states there is only one way to do things will fail.

The explanation for the relative stability of the past 50 years, at least in the Atlantic area, and even more for the persistence of that stability, lies in the proliferation of international regimes. The globalized world economy, in other words, remains highly institutionalized. The institutions of the world economy reflect a balance between market and society. The organizing principles reflect the differing scale and function of economic and political integration. The one calls for the elimination of artificial barriers to market exchange, the other calls for strengthening state autonomy. Both, if unchecked by the other, end in disaster. This institutionalized international order is multi-polar. The “clash of civilizations” is at best an unhelpful concept, and “trade blocs” are not likely to become fortresses. Big countries have some power, but even when they work together (for example in the G-7) that power is insufficient to provide systemic governance. The roles of the USA, EU and Japan are obviously an issue for any small country. Bilateral relations must be maintained with all of them, and with the rest of the OECD too, but a proliferation of arrangements would be harmful. The more a state integrates with its neighbours and the world, the more it will wish to have a share in shaping the norms and rules of the system. Multilateralism, therefore, is the best strategy for small countries who wish to have a voice, and who wish to harness the power of big states for benign collective purposes.⁸

The changing needs of international regulation need not result in complex new rules governing ever widening areas of state authority, but the world economy

⁸ Other models would lead to different architectural preferences. The economic nationalism of “realist” and “dependency” theories, for example, is based on the assumption that the world is conflictual, that all order is an epiphenomenon of power, and that international relations are hierarchical. This architecture stresses bilateral over multilateral diplomacy, and the building of defensive alliances over multilateral liberalization.

must still be organized if it is to be stable. What is needed is efforts to ensure that states talk to each other, coordinate their actions, provide each other with lots of information. States must be left to make their own decisions, to strike their own distributive bargains, but to do so within an internationally understood **compromise between state autonomy and international openness**, the continuing paradox of living in a world of states.

This compromise is increasingly relevant to developing countries. The expanding domain of the global market, both functionally and geographically, creates an enormous challenge for states anxious to maintain social control of the economy while promoting continued and more dynamic growth. Globalization has been marked not only by change in the things that are traded, but by change in who is trading them. Non-OECD countries have taken an expanding share of world trade. In the Uruguay Round, developing countries were expected to increase the extent of their obligations; and, they expected to play a more active role in the negotiations. The original GATT had been a transatlantic bargain; the Uruguay Round was a global negotiation.

The Tokyo Round of the 1970s, with 99 countries as nominal participants, might have been the first global Round, but developing countries effectively opted out of the trading system. They opted out through the provisions for 'special and differential' treatment, by not signing the limited-membership Codes on such issues as subsidies, and by not 'binding' their tariffs. These attitudes changed in the 1980s, when rapidly industrializing countries realized that their own producers needed to be able to buy the widest range of sophisticated inputs at attractive prices, and then needed access to other markets to sell the results. Developing countries realized that they did not necessarily gain from "preferential treatment" while they were losing by their inability to constrain discriminatory policies in developed countries, notably "voluntary export restraints;" proliferating regional deals; and the continued restrictions on textiles and clothing, and agricultural products (Gibbs, 1996). When the pace of integration picked up in the 1980s, one of its most striking features was the extent to which developing countries introduced autonomous (as opposed to negotiated) liberalization packages—over 60 during the seven years of the Uruguay Round. They did so because of a perception that their own policies hampered their ability to participate in increased commercial exchanges. The policy changes were especially marked in many Asian economies, who realized sooner than others that import-substitution policies had failed, and that their margins of preference in OECD markets had been eroded by the significant tariff cuts of the Tokyo Round. Their new trade policy needs included greater and more secure market access in developed countries, and a share in the elaboration of new rules. Brazil and India, the leaders of a group that tried to block negotiations in the mid-1980s, were quietly acquiescent by the early 1990s.

Embedded liberalism as an historically contingent compromise was specific to the time and place of the second industrial revolution, and especially to the postwar welfare state in the developed countries. For much of the GATT's first half century, the concept was simply not relevant to developing countries, and they tried to opt out of the system. The trade policy transformation that took hold in developing countries during the 1980s as more and more countries participated actively in

world trade was based on a recognition that liberalization allowed developing countries to reap the benefits of globalizing markets. That is, it became essential to participate in the part of embedded liberalism that called for greater international openness. The expansion of the scope of the market is always marked by a social response, however. As developing countries industrialize, they do not necessarily create a European welfare state, but they do devise policies to ensure that growth enhances stability by ensuring the domestic redistribution of the fruits of participation in global markets. The embedded liberalism compromise, then, became relevant to developing countries at the moment when they wished to participate in global liberalization while simultaneously preserving their ability to promote social cohesion. The embedded liberalism compromise is relevant for Asia because at its core it recognizes that a) the state is an enduring and fundamental political idea; and b) the understanding of the state differs from country to country. Asian states differ from each other just as they differ from OECD states. The necessary compromise is one that reconciles differences allowing both domestic autonomy and international openness.

The Tools of Trade Diplomacy

Trade diplomacy looks in many directions at once. That is, it depends on the domestic and international micro- and macroeconomic context, and on the domestic and international political context. Trade diplomacy is concerned with allies, but commercial ones, not military. Those allies can be other states, not necessarily neighbours, and they also can be firms, not necessarily your own. Trade diplomacy needs reliable intelligence: good newspapers and first class embassies abroad are essential tools for trade diplomacy, as are good statistics: if flows of commercial transactions cannot be measured, negotiations are difficult.⁹ Trade diplomacy requires a mix of domestic action (analytic resources, consultation structures), and international action (bilateral, regional and multilateral) using government, non-government, and mixed bodies. (In North America and western Europe, the private sector has a growing role in trade policy. The Information Technology Agreement first emerged as a proposal from business groups meeting in the EU-US Transatlantic Dialogue.) The aim of trade diplomacy is to help the state achieve its legitimate objectives. Sometimes that requires collaborative action abroad; sometimes it requires using international bodies as part of a process of policy learning at home.

In this section of the paper, I discuss the roles of international organizations, coalitions, and embassies. It should first be stressed, however, that these diplomatic tools must be carefully deployed in the service of a broad strategy for pursuing Thailand's overall interests. The Ministry of Commerce must develop, or attract, and retain sufficient analytic capacity a) to understand the full implications of WTO Agreements, and explain them to other Thai officials; b) to understand new issues that emerge on the trade policy agenda; and c) to consider the impact on Thailand of

⁹ For example: how can trade policy with respect to China be discussed without knowing how much of Hong Kong's trade is China's, or how much of Thailand's trade with China shows up as re-exports from Singapore?

its partners' trade policies. It must also have the capacity for inter-ministerial coordination, which includes:

- sharing information obtained from international organizations and Thai diplomats;
- making sure that Thailand is properly represented at the many international meetings that are held every year, and that officials from many ministries are exposed to relevant discussions in international organizations;
- developing a negotiating position for trade diplomacy when needed; and,
- discussing changes to Thai policy necessary to comply with international obligations.

International organizations

The WTO is the heart of the trading system, but it is not the only body with a trade role. The Appendix contains a brief description of some of the international organizations to which Thailand belongs that are relevant for trade. All of the organizations in the list have a role. The question is to understand that role as the basis for a decision about strategy and about where to commit scarce political, negotiating and analytic resources, and on which issues. The list puts the WTO first, followed by UN and regional bodies. International financial institutions are included as a reminder: a) that the WTO is required to play a role with the other Bretton Woods institutions in ensuring the coherence of global economic policy; b) that the international system of trade and payments is seamless; and, therefore, c) that important information about and analysis of the trading system often comes from the IMF and the World Bank. The OECD is included not because Thailand should think of joining any time soon, but because opportunities exist from time to time for non-members to collaborate in or benefit from its work, and as a reminder that it is a model for one kind of international collaboration, though one that depends on substantial secretariat resources (Henderson, 1996). In sum, trade policy officials must be informed about the whole panoply of organizations, obtaining information as needed and using the most appropriate organization in pursuit of their objectives.

It is not easy, however, to choose a table for international cooperation.¹⁰ The aspects to consider include the nature of the problem to be solved, the extent of collective understanding of the problem, and the number of states that must be participants. It is futile, even dangerous, to elaborate detailed dispute settlement mechanisms in advance of a consensual understanding of the nature of the problem and potential solutions. Discussions about how to deal with new trade issues can profitably be conducted at informal tables with limited membership, so long as all countries are eventually able to participate in some such discussions, and so long as all have a fair chance to participate on a reciprocal basis when negotiations over distributional issues begin.

International regimes can be based on organization by common ends or organization by reciprocity, (Fuller, 1981b) or some combination, and the mix can

¹⁰ I have developed these ideas at greater length elsewhere (see Wolfe, 1997b).

shift during the natural history of a negotiation. When *shared commitment* is necessary, cooperation within regimes or international organizations can be aimed at *pooling* information, *aiding* states to do things they could not do themselves, and *coordinating* their individual actions. When *duty and entitlement* are the basis, then we see GATT, for example, the organizational manifestation of the most ambitious type of regime, one aimed at *regulating* state behaviour (Haas, 1990, p. 198). This last form of cooperation could also be called *collaboration*, in the sense of joint action, which can be distinguished from *coordination*, an easier form of cooperation (Stein, 1983).

In this conception of regimes, they can contain more than one international organization. How then do we distinguish between what states do together in one or another international organization? I see two principal dimensions:

- As states move from low to high *interdependence* within an issue-area there will be an increasing *need* for them to cooperate; and
- As the salient dimension of an issue moves from developing an intellectual consensus on improving *allocative efficiency*, to resolving *distributive conflict*, the site of cooperation will change.

As interdependence increases, and the nature of the problem changes, states will move from association by common ends to association by reciprocity. As this happens, negotiations move from *consensual* organizations like APEC to organizations equipped for distributive negotiations, like the GATT. The *form* of cooperation will move from definitional problems (e.g. property rights) through coordination to collaboration (Ruggie, 1993). The form of agreement will also move from informal understandings to written treaties (Lipson, 1991). The need for *surveillance* in this context will move from informal mechanisms aimed at transparency to more formal dispute settlement mechanisms aimed at compliance.

In sum, while it is true that all the institutions in the Appendix are needed, because you can make progress in some more than others, depending on the issue, that does not mean that Thailand can be indiscriminate in its use of these organizations. First, it is also true that participation has costs when diplomatic resources are a scarce commodity. Given the effort required by an effective trade diplomacy, no state can afford to target too many objectives at any one time—ministerial and bureaucratic time are scarce resources in any country. It must be stressed, however, that a single objective can be targetted with more than one institution. Competition among ideas is valuable for Thailand, so over-lapping responsibilities among organizations is not necessarily a bad thing: UNCTAD, for example, can play a valuable role, if it keeps its focus on the real multilateral objectives.¹¹

Second, and more important, “progress” in this context is a slippery concept. People who are anxious about some policy domain sometimes believe that any

¹¹ On UNCTAD’s role, see Bhagwati (1997).

“legally binding agreement” is better than none, but agreements that cannot work, or that do not engage all the relevant partners, can be worse than no agreement. The issues are both practical (how and where does an issue become negotiable) and strategic. For example, the USA has a tendency towards “strategic trade policy,” including the use of Section 301 to intimidate recalcitrant trading partners. An object of trade policy is to keep encouraging the Americans into multilateral fora. It follows that excessive inwardness or a regional preoccupation can be a risk, if it allows mercantilist Americans to believe that bilateral pressure is the only tool that “works.” Similarly, regional fora can be a source of ideas, but are not the right place to conclude important negotiations. For example, some claim a role for APEC in developing the ITA. The reality is that the idea emerged in the EU-US transatlantic business dialogue in 1995 and by the spring of 1996, the Quad was discussing how to use the Singapore Ministerial to approve a draft WTO agreement. (*Financial Times* 1 April 1996, p. 4) APEC only became involved in the process of building support in November 1996, and the final agreement was only possible in the WTO in early 1997.

A third consideration is that all countries need to work with others to make progress within international organizations. In the next section, I use the familiar example of the Cairns Group to illustrate some of the dynamics of trade coalitions.

Coalitions as a tool of trade diplomacy: The example of the Cairns Group

It is now a commonplace that the governance of the world economy is fragmented. No country has the dominance exercised by the United States before 1971. The collective action problems posed by multilateral governance of the world economy were addressed for much of the postwar era by ‘minilateral’ great power collaboration disguised by multilateral institutions and by derogations from multilateral principles in the form of persistent bilateralism and regionalism. (Kahler, 1993, p. 321) Efforts to launch the new round of trade negotiations in the mid-1980s stimulated a new form of coalition activity—bodies like the Rio Group that crossed the old boundaries of international economic relations erected on ‘north/south’ or ‘rich/poor’ lines. Developing countries learned in the 1950s that they could have more influence if they banded together—for example, in what became known as the G-77. Large countries learned a similar lesson in the 1970s, banding together in annual Economic Summits. This coalition of the powerful developed an operational role in the 1980s first by formalizing long-standing cooperation in the GATT with the creation of the Quadrilateral Group of Trade Ministers at the Ottawa Economic Summit in 1981 and later by creating the G-7 Finance Ministers to manage more active economic policy cooperation. (Quad members are the European Commission, which has EU responsibility for commercial policy, the USA, Japan, and Canada.) The Quad, as a coalition, played a significant role at all stages of the negotiations, as this same group of countries did in a more informal way during previous Rounds. Once the rules negotiations neared completion, the Quad played an especially important role during the final six to eight months of intensive bargaining on market access issues as the final package was assembled. The size of that package was vital. Since one or another of the Quad members tends to be the largest trading partner for all other participants, momentum in the Quad was the key to the rest of

the package. As other countries came to realize this dynamic, pressure on the Quad to reach an agreement was intense, even from developing countries.

The best known illustration of the substantial coalition activity in the Uruguay Round, other than the Quad, was the development of the Cairns Group of Fair Trading Nations as a 'third force' in the conduct of the agriculture negotiations. (The following discussion draws heavily on Higgott and Cooper, 1990; see also Tussie, 1993) The soon-to-be 16 countries first met as a group of 5 in Uruguay in early 1986; the group was formally constituted at a Ministerial meeting in Cairns, Australia in August 1986. The United States, the EU and Japan are invited observers at the opening sessions of Ministerial meetings. The group's supporters claim that the Cairns Group represents a unique evolution in the process of coalition building in multilateral trade negotiations. Its critics counter that the endeavours of the Cairns Group to stimulate international agricultural reform must be seen as quixotic in practice and overstated in theoretical significance. The Cairns Group tried to be each sort of potential coalition, depending on the stages of the negotiations, with varying degrees of effectiveness.

The Uruguay Round was a departure from past GATT rounds because of the importance of institutional issues. Old-style market access negotiations define the negotiation by the market power of the participants. Negotiations on rules and principles, in contrast, allow a greater role for skill and perseverance, creating an opening for new kinds of coalitions. (Hamilton and Whalley, 1989; Winham, 1990) The members of the Cairns Group accounted for roughly 10 percent of world trade in 1992, but they represented over a quarter of world agricultural exports at the time of Punta del Este. Some members, notably Canada and Thailand, were also significant importers. In the GATT context, this sort of market weight buys a certain amount of influence. That influence was used first to influence the *shape of the agenda* for the Uruguay Round, then to advance *negotiating proposals*, and finally to ensure that a big agricultural package acceptable to the Group could not be pushed off the negotiating table, a *blocking role*. The Cairns Group relied on the aggregate strength of the group in international agricultural trade; tightly defined group goals; a degree of discipline, notwithstanding the heterogeneity of group membership; and strong technical and entrepreneurial leadership—especially, but not exclusively, from Australia. The Group remained active throughout the Round, but it was especially important prior to the Montreal Ministerial when it kept the pressure on for a substantial negotiation.

The Cairns influence on the final negotiating or bargaining was minimal—although the Australians certainly reaped domestic political benefits from the appearance of influence on the big players in Washington and Brussels. One crucial step in unblocking the agriculture negotiations was the bilateral accord between the EU and the US concluded at Blair House in November 1992. But one source of resentment among smaller players, notably the Cairns Group, was their exclusion from the Blair House negotiations, although they were expected to accept the results. This deal unblocking the Uruguay Round agriculture negotiations may have responded to Cairns Group pressure, but it was done in private, and it included unwelcome elements. Nevertheless, when towards the end, the French made a last ditch suggestion to remove agriculture from the package, there may

have been some temptation in Washington, but as one American is reported to have said, 'We've gone over the waterfall in a barrel. There is no backing down. Even if the US would agree to it, the Cairns Group would not.' (*Financial Times*, 12 October 12 1993, p. 5)

A number of lessons can be drawn from the Cairns example:

- 1) If smaller countries do not work together, the USA and the EU will make the rules alone.
- 2) Many coalitions in a changing trading system will not be built on old "North-South" lines.
- 3) Coalitions can often be most influential in **shaping an agenda** and **advancing ideas**; when reciprocal bargains are being made, market power is hard to overcome with diplomatic efforts alone, and linkages can be difficult. For example, the Cairns Group wants a new round of agricultural negotiations, but Brazil refuses to countenance industrial tariff liberalization thereby limiting the group's collective ability to offer inducements to Japan. Similarly, linkages with textiles are impossible, because some Cairns countries are big textiles exporters, but others are importers.
- 4) On some issues developing countries can use their aggregate strength in a **blocking** role—moving core labour standards to the ILO is an example.
- 5) making a coalition work requires substantial analytic resources, considerable coordinating effort by officials, and regular engagement by ministers.

Thailand must work with other countries within the WTO, but choosing a grouping is not obvious. South-East Asian Members of the WTO could work together as a coalition, using ASEAN or EAEC for coordination, depending on the issue, giving them a major voice in system governance. Even within ASEAN, however, let alone EAEC, countries will have divergent interests on some issues. In particular, not even AFTA could be used for negotiations on market access, since AFTA is not a customs union, and has little prospect of developing a common commercial policy. In short, Thailand will wish to join a variety of coalitions. Some will be based on common interests in a specific sector (e.g. the Cairns Group), and others on geography (e.g. APEC) or level of development (e.g. the Informal Group of Developing Countries). The need for coalitions will depend on the emerging agenda and Thailand's evolving understanding of its interests. The basis for any coalition, which must be consistent with the objectives of the group, will be an appropriate combination of market weight and common interests.

Some groupings are already obvious. APEC will be an invaluable forum for sharing information, discussing the implications of new challenges, and building a consensus among countries at various stages of development; it will be occasionally useful for concerting action (such as on the ITA) to be taken in other fora. The Cairns Group will remain important for Thailand as agricultural exporters begin to prepare for the resumption of agriculture negotiations in 1999. Developing countries generally will need to work together in the WTO and the ILO to manage the core labour standards issue. The more advanced developing countries will need to ensure that the OECD MAI, if successfully negotiated, does not become the *de facto* standard for investment. On the environment, Thailand might consider coalitions based on

resource export interests rather than level of development. Textile exporters will need to maintain their cohesion if the MFA is to be phased out on time.

The variety of potential uses of coalitions leads to the sixth lesson from the experience of the Cairns Group: no country can manage to participate actively in a great many coalitions at once. Coalitions are resource intensive. They are not an objective in themselves; they are rather an integral part of a strategy. In my view, coalitions, and bilateral contacts, that can be demonstrated to advance Thailand's multilateral interests in the WTO are worthwhile. Such coalitions will not afford Ministers frequent photo opportunities as new trade deals are signed, but an accommodating international order is built step by step in dozens of meetings.

Embassies

Thai ambassadors abroad can play an essential role in trade diplomacy, and not just in Geneva where Thailand has been well served by the excellence of its diplomats. Ambassadors remain a central institution of the society of states, though the nature of the institution has changed as the international system has changed (Wolfe, 1997c). Major issues between states are discussed by Ministers and other officials, especially in multilateral fora, but the resident ambassador is important, especially for a host of issues far removed from a traditional conception of foreign policy.

Take the example of Canada. The twin forces of an expansion of the role of government and an increase in the extent of entanglement with other countries has meant that many more parts of the Canadian government have operations abroad that need to be conducted either directly or by the Department of Foreign Affairs on their behalf. Embassies have a significant operational role, therefore, simply as an office of the Canadian government, a role that is not easy to disentangle from the diplomatic role. Trade promotion, immigration, and consular assistance are traditional operational functions, but they are changing as many more domains of domestic policy become internationalized. All of the major departments of government, from Finance, Industry, and Human Resources Development through the military and the police have business to transact with their counterparts in other countries, which they do both through embassies and directly, either by phone or in person or through international organizations. And nowhere more so than in Washington.

Allan Gotlieb, after serving as Under-Secretary of State for External Affairs, was Canada's ambassador in Washington from 1981 to 1989. In the introduction to his Washington memoir, Gotlieb constructs stark contrasts between the role of the diplomat, a traditional conception of politics in Washington and the reality he found. In the days of the "Imperial Presidency" it might have made sense to do official business only with the State Department, and never "interfere" in domestic matters. Fragmentation of power is not news under the U.S. Constitution, but the assertive role of Congress in foreign relations after Vietnam, and the decline of the power of the political parties, increased the extent of the fragmentation. Even the "Administration" was fragmented, with the State Department often being kept in the dark on such major issues as free trade (by the Office of the U.S. Trade

Representative) and international economic coordination (by the Treasury). In consequence, "the ambassador to Washington is accredited neither to a government nor even to a system. He is accredited to an unstable mass of people, forces, and interests that are constantly shifting, aligning, and realigning in ways that can affect or damage the interests of the country he represents" (Gotlieb, 1991, pp. 30-1).

Gotlieb had been sent to influence American policy, and mostly "domestic" policy, not great questions of war and peace in the world. Such influence depends on a sophisticated understanding of how decisions are made in Washington. All decisions are based on the available information, but the sources of information are infinite. Ambassadors can supply information in many forms. In some cases, what is needed can be providing a host government department with a scientific report from home, while in others a speech to lobby group is needed. Like any other actor in the policy process, diplomats can achieve their objectives at any stage, from influencing how an issue is framed to trying to affect how a decision is implemented. Gotlieb spent his time in Washington working on the issues that caused the greatest conflict between the two governments, but those tended not to be issues within the foreign policy domain of the State Department, nor did they tend to be occasions when anyone in the United States had set out to pick a fight with Canada. Conflict arose when a U.S. domestic policy had unintentional consequences for Canadian interests. Usually an American special interest (e.g. truckers) had lobbied a Congressman for a new regulation. When the consequences became apparent, a strategy had to be devised. Often the effect on Canada would be far down the Administration's list of priorities. The Embassy had to learn who wanted the new regulation, who their allies were, and what could be offered in return for a change in policy.

In this view of the ambassador she is not primarily an instrument of "foreign" policy any more than the foreign ministry is a "gatekeeper." Most foreign ministries have a myth of a golden age when inter-state relations mattered, the country was an actor in such relations, and the foreign ministry was in control of the interactions between domestic departments and the world beyond. Hocking (1997) argues that the myth bears little resemblance to reality. The foreign ministry only came into existence when states disaggregated a previously integrated administrative structure. Without some notion of "foreign" policy as a separate domain, states have no need of a foreign ministry. When such ministries did emerge, their role never went uncontested in the endless rivalry of bureaucratic politics, and they were often kept out of important international negotiations even in such domains as international finance and security. The notion of gatekeeper becomes even more problematic when we accept that policy issues now linked to many other issues engage a multiplicity of "actors" in a variety of arenas whose boundaries span "borders." It is absurd, in other words, to think that it is possible for any foreign ministry to maintain and control a single channel of contact on all issues between its state and all relevant actors. Hocking concludes that foreign ministries have a valuable but still contested role to play as "boundary managers," coordinating and mediating relations that take place across political boundaries. And lying abroad, playing a catalytic role (Hocking, 1995), sits the ambassador.

Features of what is called “globalization,” could be part, therefore, of an explanation of the need for ambassadors. The first is the need for local presence, the second the increase in the number of places where presence is needed because of the increased complexity of global affairs—the world is no longer dominated by a small number of countries clustered around the Atlantic. That much is obvious, to Thailand, but why must the country be represented in so many places?

One of the phenomena associated with the idea of globalization is the collapse of time and space. If location has become irrelevant, why are ambassadors needed? The answer, I think, is because the state still exists. I argued above that embassies should be seen as offices of the government. An analogy to the multinational firm might be helpful in explaining the need for such offices. One of the puzzles about the very existence of multinationals is why firms find it profitable to invest abroad in locales and markets that they by definition will know less well than their own, when they could just as easily serve foreign markets through trade. The analogous question is why foreign (or trade) ministries find it useful to have resident ambassadors. Arguments about the decline of diplomacy would seem to map on to arguments about why foreign investment should be improbable—modern communications make it possible for people from headquarters to conduct business electronically or in person anywhere in the world. Yet in the last decade there has been an enormous increase in the flow of direct investment, especially in service industries.

Three broad sorts of arguments are made about investment (For the conventional arguments, see WTO, 1996, pp. 50-1). The first is that firms must go abroad to exploit their intangible assets, including intellectual property and the human capital embodied in their employees. Second, in service industries, firms invest as a means of trade, because a local presence is often essential to deliver the service. In goods industries, transport costs can favour local production, and being on the ground in a market can generate valuable information about local conditions. In both goods and services, investment facilitates customization for local markets. These first two factors, however, do not fully explain foreign investment, because intangible assets (especially technology) can be licensed to local firms. The third reason for investment, therefore, appears to be a decision to internalize the use of assets within the firm. There can be significant transactions costs associated with licensing, including problems of contracting and quality assurance. Moreover some kinds of technology may be best exploited by people with the sorts of skills only found, or most likely to be valued, within the firm. Business, it seems, finds no substitute for being on the ground around the world. (Business also responds to actual or potential trade barriers; that is, investment is also said to respond to a perceived need to have a presence inside every potential trade bloc.)

It should perhaps not be surprising that trade ministries reach similar conclusions about the achievement of their objectives, notwithstanding the predicted demise of the ambassador. It might be cheaper to phone colleagues in other governments, sending in officials and Ministers when needed, but the intangible assets that are a foreign ministry’s stock in trade—knowing who is who in the government or the ability to interpret complex events—can only be developed and then exploited by being on the ground. The services that are

provided to citizens abroad can also only be delivered through a local presence. The privatization of services to citizens whether for trade promotion or consular assistance can be seen as analogous to licensing, with all the associated transactions costs. Moreover the specific skills of foreign service officers may be essential for the delivery of some services. It is not clear that any private concern would sufficiently value the experience that goes into a first-class consular officer to invest the years needed to acquire such experience. The one technology specific to the foreign ministry is its telecommunications network, whose security could be compromised if its use were licensed to outsiders. In sum, Thailand needs an extensive network of trade diplomats resident abroad.

What should these diplomats be doing? Helping their own firms do business is a traditional task for ambassadors,¹² but for present purposes I argue that their role in trade diplomacy is to contribute to the development of trade rules and to develop market access. Broad frameworks are created in Geneva, but they are implemented on the ground, at home. Thai exporters will be affected by decisions made in capitals both on matters covered by WTO Agreements and in areas outside existing multilateral rules. Thai diplomats, acting on an understanding of Thai interests, must be well-informed about policy developments in priority markets and in key allies, who may not be the same. This information must be reported back to Bangkok, but it may also occasion local efforts to change or shape the policy in question. Those efforts may depend on private action with local officials, building coalitions with other diplomats, or public advocacy. The issues could range from the way local customs officials define a particular electronic component for duty purposes to the actions of a non-governmental environmental group on health standards for seafood. In sum, a strategy for trade diplomacy depends not only on speeches at major international conferences but on information gathered and action taken in capitals around the world.

Regionalism or Multilateralism?

The creation of the WTO was major achievement for multilateralism, but regionalism has continued to flourish. North America has been engaged in talks on NAFTA, APEC, FTAA, and so on. The EU, itself a regional agreement, has a list trade liberalization negotiations that includes potential deals with South Africa, MERCOSUR, and Mexico; the creation of a new Euro-Med Free Trade Zone; the enhancement of the European Economic Area; and, the development of the Europe Agreements with the countries of Central and Eastern Europe and of the Partnership and Cooperation Agreements with the countries of the former Soviet Union. In Asia, the long-standing cooperation in ASEAN was enhanced by the creation of AFTA, efforts to promote "growth triangles," and discussion of a possible EAEC. Australian worries about being isolated motivated their leadership in the creation of APEC. Asian fears of being shut out of a new fortress Europe, and European fears of being left out of APEC, were behind the Asia-Europe Meeting

¹² The literature on trade promotion seems to me to be underdeveloped. Garten (1997) advocates a more aggressive US program; Griffith (1992/93) and Reid (1992/93) discuss Canadian programs.

(ASEM) first held in March 1996, but now held annually. In this section, I discuss the general aspects of the question, rather than comment on any specific regional agreements relevant to Thailand.¹³ I do conclude this section, however, with a discussion of APEC as an illustration of the theme.

Regional integration has been a problematic concept for political scientists and economists, and it has generated a voluminous literature wondering what it all means. The outcome variables of interest in the literature are, roughly, formal interstate bodies with supranational responsibilities, and informal communities whose influence relies on common values. The variables used to explain the process of integration include both political power and economic, social, and technological factors. *Regional* integration, as opposed to “interdependence,” is generally seen as something sought by participants or encouraged by outsiders, and it is usually understood in terms of the actors involved. European integration, therefore, is understood as the process by which the states of western Europe used the creation of a common market for the political purpose of forging common institutions and an enduring peace. It is important, however, to distinguish between **regionalization** (a market-driven process of trading more intensively with close neighbours) and **regionalism** (an attempt to promote regional economic integration on a *de jure* base). The one need not require the other (Sander, 1996, p. 24).

Is **regionalism** compatible with multilateralism in the common meaning of these terms? Are regional agreements compatible with the WTO? All regional groups are attempts to exploit the greater market power that comes from regional aggregation of markets. Some aim simply to eliminate regional market segmentation, but others seem intent on boosting regional trade. Either has the potential to hurt the WTO, because associations based on shared commitment can be placed under intolerable pressures, in some circumstances, by sub-associations that may have different ends (Fuller, 1981a). Regional groupings of countries who are also part of other multilateral or global groupings can be a source of tensions in the trading system. Bhagwati (1993) argues that global free trade is best for the individual welfare of all humans. Regionalism may be a second best tool to this important end, but only if regionalism furthers the long-term objective, which he thinks is rarely the case, not least because the possibility of regionalism may divert the attention of politicians, officials and interest groups from the seemingly more arduous multilateral route.

The question has been important for the WTO. The old GATT never fully digested European integration, though it always accepted the possibility of regional trade agreements, because such customs unions and free trade areas were seen as exceptions to the rules, being inherently discriminatory, denying both national treatment and MFN to some classes of foreign goods. The WTO rests on certain fundamental norms and principles. The MFN principle requires members to

¹³ In particular, I do not give separate consideration to the “growth triangles” mentioned in the Appendix since I am not sufficiently familiar with the literature, largely by geographers, on the institutional implications of economic regions that do not correspond to state boundaries. For more on the growth triangles, see Khanna (1996).

“multilateralize” to all participants any concession that it gives to one. The National Treatment principle requires that once admitted to the market, all goods will be treated equally. Regional agreements were to be allowed only if they were demonstrably trade creating rather than trade diverting, (a distinction actually only formalized by Viner in 1950) but this provision of the General Agreement was thought to be weak. The Uruguay Round outcome is important, therefore, because the Final Act contains agreements on improving the procedures for reviewing regional arrangements and on working towards harmonized rules of origin. These provisions were strengthened with the creation of a new Committee on Regional Trade Agreements to review all notifications of regional arrangements, replacing the two dozen working parties previously in operation.

The new committee must also consider the systemic implications of the new regionalism. The issues under consideration in some regional agreements, some claim, go beyond what is under consideration in the WTO, or what can be achieved in the near term in the WTO. Better to make progress wherever possible, they argue, so long as regional agreements remain transparent and open to new members. The result could be an ever-spreading web of deeper integration that eventually results in complete global integration (Lawrence, 1996). In this way the regional elimination of barriers can move towards gradual convergence of rules among all regional groups. Regionalism in this scheme is neither an alternative nor a supplement to multilateralism, but merely a means to the desired end. I am not convinced. As discussed earlier, regional groupings seen as coalitions can help to advance the WTO agenda, but I am more persuaded by arguments that certain important things, at certain times, work better in a multilateral setting than in a bilateral or plurilateral one.¹⁴ Three considerations enter into this strategic calculation: **critical mass**, **inclusiveness**, and **coherence**.

Critical mass is easier to achieve among many than among few. In the Canada-US Free Trade Agreement 'many' took the form of comprehensive negotiations, which succeeded where 'few' (the sectoral talks that had preceded them) simply could not generate enough support. More prosaically, a large body of participants engaged in a negotiation can make it work surprisingly well, because the overall level of benefits emerging is richer and more alluring. It may be hard to launch a big negotiation, but once going it is hard to stymie, for good and bad reasons, depending on one's perspective. On the other hand, it is easier to maintain a degree of protection in a big negotiation, as long as one's offer is respectable. The Single Undertaking forces small countries to join a consensus because the costs of being left out can be greater than the pain of accepting some unwelcome details in an Agreement.

Critical mass is certainly fewer than the 130-odd members of the WTO; no-one is concerned over free riders when they represent a negligible share of trade. The ITA reached over 90% of information technology exports with just 40 participants - counting the EU as 15. The world's top thirty exporters (counting the

¹⁴ I am grateful to officials, who wish to remain anonymous, for sharing some of the following ideas with me.

EU as one for goods) account for about 90% of both goods and services exports. In any issue-area it doesn't matter how many participants you have so long as you have the right participants (a mix of intellectual leadership and market weight), along with the MFN and Single Undertaking norms to hold it all together.

The multilateral approach is an inclusive one. This inclusiveness has some important implications. It means that all relevant markets and all relevant voices can be included in a negotiation. Large countries cannot dominate; all must seek allies. The complex process could be improved, but the alternative is costly duplication of effort and fragmentation of the rules. The multilateralization of results in a large negotiation allows exporters to diversify their efforts by improving access to a wide range of markets. Multilateral agreements ensure Thai business the same treatment everywhere as that accorded to business from the most powerful countries. In a regional or bilateral world the US and the EU, with their superior clout, can negotiate better treatment. Multilaterally, small countries can benefit from their leverage. Multilateral deals, therefore, counter hub-and-spoke arrangements that might leave Thailand disadvantaged. Of course regionalism can be seen as an insurance policy for small countries worried about their access to larger markets, but insurance policies carry a premium (Perroni and Whalley, 1994). One of these premiums is the risk that in a regional deal a small country may gain more than its fair share of access to a larger market, while the rules are set by the larger country (Helleiner, 1996).

Coherence is a business goal, not just a governmental policy objective. From a business perspective, production, investment and trade decisions depend on the benefits and costs of various alternatives. Multilateral harmonization is of practical benefit to business because it makes it simpler to do business. One set of rules, whether in the area of technical standards, of customs rules like tariff classification, or of contingency protection procedures, is clearly preferable. Another facet of coherence is how the basic disciplines are interpreted. The pattern of disputes, both in the WTO and in various free trade areas and customs unions, shows that technical and regulatory barriers, including sanitary and phytosanitary ones, will increasingly be assailed as bastions of protectionism. Will such disputes lead to a more coherent world for business if handled in the WTO, or in a further proliferation of regional or bilateral bodies? Management of a trade conflict is always partially political. The diplomatic question is what balance of considerations will be possible or desirable? The best balance will be found where the strategic issue of the general integrity of the trading system can be on the table, which mostly happens in the WTO.

The Role of APEC

It would be wrong to conclude that I see no role for APEC. On the contrary, I see it as a perfect (and invaluable) excuse to chat. Proponents of APEC make two claims: 1) APEC has set itself a firm free trade goal; and, 2) APEC is assuming some of the WTO's role as an "official" negotiating forum. The first claim is obviously true, and the commitment is more than merely rhetorical—though not much more. But I find no support for the second claim in the last report of the APEC Committee on Trade and Investment or the chair's statement from the Montreal trade minister's

meeting.¹⁵ Rather than seeking to sidestep the WTO, Ministers in Montreal (as they had been in 1996 when they met in Christchurch) were explicit in their support for the WTO. APEC can show leadership in some sectors, and it can accomplish some things on a voluntary basis, but APEC Ministers seem to believe that the WTO is the key institution.

APEC objectives are liberalization, facilitation, and cooperation (learning). What can APEC do? Providing information on domestic policy—transparency—is the basis for any attempt at either policy coordination or collaboration. It aids in developing personal networks and channels of communication among working level bureaucrats. The focus for APEC trade activity is the Committee for Trade and Investment (CTI). The CTI has been working on the Collective Action Plan (CAP) agreed at the Osaka summit in 1994 as well as on the Individual Action Plans (IAP) agreed at Manila in 1996. The work in the CAP is quite similar to the WTO agenda, but it is largely oriented to improving transparency and developing common sources of information. The work is valuable, because the developing Asian economies lack the sort of common data that has been the OECD stock in trade for nearly 50 years. Thai work in the CTI can be complementary, therefore, to work in the WTO. There is a need to develop information, a need to learn what issues are about. Work on standards, for example, is valuable, so long as it is consistent with broader standards. APEC plays a valuable role on trade facilitation aimed at easing cross border trade in goods—if procedures are simpler, consumers benefit from lower prices, but so do small firms and new traders, who may be inhibited by procedural complexity. APEC is working to improve transparency and adherence to international norms in customs procedures and Rules of Origin, which facilitates WTO work. These norms will be developed and enhanced in the WTO, where they are part of the Built-In Agenda.

What is important, therefore, is that a group of dynamic economies that have not been part of the Atlantic-centred institutional commitment to liberalization have set themselves an objective. APEC has a vital role in helping its members to understand and then internalize the sorts of policy changes that will be necessary in order to achieve that objective. It can only play that role if it has continuing engagement from leaders, so the Summits are important. But Thailand should not be fooled into thinking that APEC is where the action is. It certainly is not for Canada—our “Individual Action Plan” is full of good boring proposals, all of which seem to have a motivation independent of any APEC commitment. APEC is not a negotiating forum and has no plans to become one because it has no plans (nor should it have such plans) to duplicate the WTO’s negotiating structures or dispute settlement system. Indeed APEC works very hard to avoid the sort of explicit reciprocal commitments that are part of trade negotiations. Consensus, APEC’s favoured approach, is an essential tool when countries are learning how to solve a problem, but it is not a negotiating tool. As for APEC being a useful forum for discussions in parallel to the WTO, that will happen, but it will happen in many places, not just in APEC. The OECD (because more sophisticated) and UNCTAD (because broader membership) may well be more important than APEC.

¹⁵ See the APEC web site <http://www.apecsec.org.sg/>

APEC with its broad membership could be seen as an attempt to forestall the creation of more limited groups—hence the importance attached to “open regionalism.” By being outside the WTO, APEC has allowed trade policy discussions to engage the three Chinas—China, Hong Kong and Taiwan—with their regional partners. But is “open regionalism” viable? I think not: market access negotiations are not voluntary (even if they should be, in economic theory.) Open regionalism implies that all concessions granted in APEC would be MFN in WTO. If APEC members were each other’s most important market (“principal supplier” in GATT-speak), there would be no problem. But they are not, especially in the most “sensitive” sectors. It is unlikely that MFN is possible without all the major markets at the table, and unlikely that there are many sectors (except perhaps electronics) where supply and demand would be sufficiently concentrated within APEC. (Note, that NAFTA is **not** MFN in the WTO.) Regional transaction flows are increasing, but in these fast-growing economies, extra-regional flows are also increasing, which means that on any issue it is important to have the right players at the table. APEC’s ultimate goal of free trade on an MFN basis by 2010/2020 may in practice only be realizable through multilateral liberalization. Figures on the size or importance of “APEC” trade obscure two factors: 1) much intra-APEC trade involves countries who have vital trade interests with non-APEC states; and 2) a good deal of APEC trade is with non-members of APEC directly. It follows that there are limits to what the Americans, for example, will do in APEC and limits to what Thailand, for another example, would **not** want to offer to the EU.

While APEC may not be a natural preferential trade area (Polak, 1996), such market segmentation as exists may be unnecessary, making it useful to try to use policy to remove barriers. I think this argument offers insufficient justification for APEC’s free trade agenda. Increased regional trade flows could be seen as a political goal on arguments derived from the democratic peace literature, but not on grounds of economic policy, since the gains from trade do not depend on who you trade with. A broad stance of openness is essential to get growth started, and seems to become more important as growth proceeds. Indeed it may be essential for growth at any stage of development, but it becomes more important as an economy becomes larger and more sophisticated. No country makes discrete products any more: we are all parts of production networks that span many territories. It is important that investment, and intermediate components, can move easily along the network. APEC could contribute to increased openness, but it is not a substitute, for ASEAN members, for broader openness. If it is useful, therefore, it would be for other reasons.

In sum, APEC will not reach the free trade goal, but what its members learn during the journey will be worthwhile. We can value APEC for the enormous amount that it can contribute, without thereby having to argue that the WTO is less valuable, or that the two fight for the same terrain. The only concrete things apparently being advanced by APEC at Vancouver next month (ITA 2 and financial services) were previously discussed by the Quad. APEC can play a catalytic role, helping states understand new issues, just as the OECD has been doing for decades. What APEC cannot do, all rhetoric notwithstanding, is create a free trade area by 2020. GATT Rounds may be “interminable” and “unwieldy,” but the WTO is the

only *negotiating* forum we have. Arguably the next Round has already started, in exactly the same way the last one started, in discussions of possible initiatives in smaller groups of countries. It will probably end the same way too—with large complex negotiations involving everyone who will be bound by the agreement. And those negotiations will take place in the WTO.

The WTO Agenda

A common, if unstated, misconception about the GATT/WTO sees it as a forum of primarily cyclical relevance, as though it delivered all its benefits at the successful conclusion of a round of trade negotiations and then went into hibernation. To act on this misconception would not serve Thailand's interests. It is important to think of at least three different time horizons for the WTO in its leadership role in the governance of the global trading system. First, on a day to day basis, the WTO provides a framework for the implementation of the results of multilateral negotiations through the notification and review apparatus of its various Committees, and if necessary through the consultation and dispute settlement procedures. Full implementation of the enormous Uruguay Round package will help continue the expansion of world trade. Second, the WTO provides the forum for negotiations among its Members concerning their multilateral trade relations. It has a medium term or "Built-In" agenda, which could be seen as a prolongation of the Uruguay Round, but which also includes the accession negotiations. Successful completion, especially of the negotiations with China, bringing a vast market under WTO disciplines, will have an effect on world trade comparable to that of a Round.¹⁶ Finally, the WTO has a longer-term agenda, with a number of important negotiations already agreed or in prospect for 1999 or 2000. These different time horizons are held together by the biennial Ministerials.

Preparation of the agenda for the first biennial ministerial (Singapore, December 1996) was complicated because developing countries favoured consolidation of the WTO and implementation of the Uruguay Round agreements rather than expansion of the WTO into new areas, given limited bureaucratic capacity just for implementing what has already been agreed. In the event, the agenda was balanced between 1) an assessment of the implementation of commitments under the WTO Agreements and Decisions, 2) including a review of the on-going negotiations and the WTO Work Program; and 3) a discussion of how to address the challenges of an evolving world economy. I address each theme in turn.

1) Implementation

The Ministerial concluded that implementation of the Uruguay Round had been proceeding well, though greater effort was needed in some areas, especially

¹⁶ Some people wonder if WTO Members should use scarce negotiating resources to make the trading system wider or deeper? Wider—meaning accessions—is the better course, for now, because we would not want accessions to divert attention when the next round gets going. It remains important not to fudge accession, however, because domestic regulatory transparency has major MFN and national treatment implications.

notifications. Ministers rightly drew attention to the importance of implementing commitments under the Textiles agreement, given its “systemic significance for the rule-based, non-discriminatory trading system and its contribution to the increase in export earnings of developing countries.” Thailand must work with other countries to ensure that further progress is made in implementing the textiles agreement and consolidating the benefits of the Uruguay Round. This work is largely concentrated in WTO Committees.

2) The WTO Work Program

The WTO agreements, and the understandings at the Marrakech ministerial concluding the Uruguay Round in 1994, created a bewildering menu for further work. The Singapore ministerial performed a valuable function by allowing a consolidation of all of these things into the so-called “Built-in Agenda.” (For a full discussion of this agenda, see the appendix of Ostry, 1997.) Members had agreed that negotiations on Agriculture were to begin in 1999, and on Services in 2000. They had also agreed to have “reviews” and other new work on:

- a) Institutional issues:
 - Dispute Settlement Understanding
 - Trade Policy Review Mechanism
- b) Trade rules
 - Anti-Dumping, Subsidies and Countervailing Measures, Safeguards
 - Customs Valuation, Import Licensing, Preshipment Inspection,
 - Rules of Origin
 - TRIPs, TRIMs
- c) Market Access
 - Textiles and Clothing (but nothing else on access for goods, except agriculture)
- d) Standards:
 - Sanitary and Phyto-Sanitary Measures, Technical Barriers to Trade

In the discussions at Singapore, agricultural exporters had been keen to launch analytical work in preparation for the 1999 negotiations, and some countries had wanted a discussion of whether all of these reviews and negotiations should be rolled into a new Round, but Ministers were only able to agree to carry on with the WTO Work program as previously agreed, without prejudging what the next steps might be. Similarly, on Trade and the Environment, Ministers agreed that “The breadth and complexity of the issues covered by the Committee shows that further work needs to be undertaken on all items of its agenda.”

3) Future challenges

Prior to Singapore, developing countries had been resistant to adding new issues to the WTO agenda, but with reasonably strong language in the Declaration with respect to Textiles, and acceptance that the International Labour Organization was the proper forum for discussion of Core Labour Standards, they agreed to the creation of:

- a working group on trade and investment;
- a working group on transparency in government procurement; and

- a working group “to study issues relating to the interaction between trade and competition policy in order to identify any areas that may merit further consideration in the WTO framework.”¹⁷

After the difficulties preparing the meeting due to the institutional limitations of the WTO, the good news at Singapore was the broad measure of agreement on the state of the trading system. The bad news was that many Ministers sat around with little to do, and that the Singapore Declaration was more of an agreed description than a plan of action. With this outcome in mind, the Canadian minister proposed some sort of commemoration of the 50th anniversary of the multilateral trading system that might discuss “whether this new institution has all the right machinery or whether we need to provide some further political guidance.” WTO Members subsequently agreed to hold such a meeting in May 1998; this meeting should prepare the ground for the next set or round of negotiations, although this major decision would then be taken at the next biennial Ministerial Conference to be held in December 1999.¹⁸

With such a complicated agenda, debate continues about when to start laying the basis for a **new “round,”** which would be the ninth such set of negotiations since the creation of the GATT. Many tired negotiators still hope that further comprehensive and time-consuming rounds will not be needed, that the biennial Ministerials could serve to force the agenda on negotiations conducted by the subsidiary bodies without the need for a round—“round-ups” instead of rounds.¹⁹ Experience so far with the difficult issues left over from the Uruguay Round and the built-in agenda suggests that a new round will be needed. No other mechanism exists to ensure an appropriate aggregation of issues and participants, with a forcing mechanism to ensure that at some point countries large and small accept the best deal on offer. Since the WTO is now a **Single Undertaking**, it is not clear how less than fully multilateral agreements on major issues or sectors can be happily meshed with the existing commitments, since the MFN rule could be expected to generalize the benefits to any state participating in global commerce.

In any event, Members of the WTO have no choice: given the enormous work plan discussed last December in Singapore, and the rest of the WTO built-in agenda, it is hard to imagine how the process can be managed without another round, probably starting in 1999 or 2000, for exactly the same reason that the Uruguay Round proved to be so big and took so long. When the trading system is a Single Undertaking, packages have to have something for everyone. Given the divergent interests at play on investment and agriculture, for example, or Maritime

¹⁷ Periodic reports of the work of WTO bodies, including these new working parties, will be found in *WTO Focus*.

¹⁸ With this schedule, the third biennial ministerial will be held three years rather than four after the first, but the trading system needs this impetus just now, and it needs to ensure that this vital decision-making body does not meet during American election years.

¹⁹ The phrase “round-ups” was coined by Jeffrey Schott.

Transport Services and Textiles, it seems particularly hard to envisage progress without a new round to allow countries to win in one area what they will *believe* themselves to have lost in another. A round is a proven technique for aggregating issues and players into balanced compromises, once issues are well-understood. The on-going work in WTO Committees is analogous to some of the conceptual work usual done in the beginning stages of a negotiating Round.

We are beginning to see, however, that the WTO is not going to be any more useful than the GATT for the early development of new issues. In formal terms, actors are too aware of where they might fall on the contract curve to engage in fruitful discussions of where the contract curve might lie. At the same time, there is no hope that the WTO could reach an investment agreement without the kind of analytic work at which OECD excels, and without the kind of consensus building at which groups like APEC have the potential to excel. The role of regional groupings, therefore, might be to help provide intellectual leadership for the further development of the trading system, leaving negotiation of new commitments and governance of the trading system to the WTO.

The WTO must proceed as a unit, but leadership cannot come from 132 countries. The question of how to provide leadership for the WTO, so that it can in turn provide leadership for the system, will preoccupy members as they prepare for the anniversary celebrations next May. It is not sufficient for the WTO just to monitor implementation, the review process, and on-going negotiations: it must begin to move the system forward. The WTO still lacks the analytic resources it needs, and its institutional structure is weak. At Havana in 1948 there were extensive discussion about an Executive Board. More recently analysts have suggested creating an executive body closer in spirit to the IMF's Interim Committee (Wolfe, 1996). Members must consider the question of the relation between the WTO and the system, and what it needs to do to be able to lead. Suggestions about the best way to ensure momentum for the organization include declaring an objective of global free trade by some date after the Millenium as a means maintaining WTO control of the global trade agenda. No small country can determine any of these issues on the WTO agenda, but that does not lessen the responsibility of Thailand to attempt to play an active role in the system.

Recommendations and Concluding Remarks

Thailand must make a strategic judgment about how to allocate the scarce resources available for its trade diplomacy. Trade policy objectives include strengthening the Thai economy while maintaining social cohesion and stability; and contributing to regional peace, political stability and prosperity. Multilateral action offers Thailand the best prospects for progress in meeting these objectives, supplemented by regional and bilateral action. It will be essential to protect the gains achieved in previous trade negotiations, while working with others to ensure that the future agenda is responsive to Thailand's interests.

The issues for Thai trade diplomacy, as summarized in Figure 1, fall in four groups:

- Market access
 - export markets in such domains as information technology; textiles and clothing; and agriculture; and,
 - import liberalization of producer inputs (including business services) and consumer goods.
- Domestic regulatory reform
 - examples include investment, competition policy, environment, and core labour standards.
- Trade rules
 - the cluster of issues involved in trade facilitation (e.g. customs procedures and rules of origin) will be most important for coordinated Thai action domestically and in the region as well as multilaterally; but
 - also important, if only for further disciplines on OECD countries, are WTO discussions of Anti-Dumping, Subsidies and Countervailing Measures, and Safeguards.
- System governance
 - options are multilateral (WTO) and regional (APEC, AFTA).
 - relevant international organizations are discussed in the Appendix.

The analysis presented in this paper about the nature of globalization, the continuing role of the state, and the importance of multilateralism leads to three strategic recommendations concerning the World Trade Organization (WTO), working relations with other countries, and the tools of trade diplomacy:

- 1) The centrepiece of a strategy for Thai trade diplomacy should be action within the WTO, corresponding to the WTO agenda:
 - The WTO serves as Thailand's basic trade agreement with all trading partners (or, in the case of China, Vietnam and Taiwan, it is a forum for negotiating such an agreement) ensuring that Thai firms face one coherent set of rules governing trade. Since firms in other countries face the same rules, decisions about investment in Thailand are less distorted by trade barriers elsewhere. No other forum is sufficiently comprehensive in membership or sectoral coverage.
 - The continuing or **immediate objective** is to ensure that the WTO works. Thailand should participate actively in WTO Committees to ensure that it benefits from the process of reviewing implementation, including notifications; it should also use the surveillance opportunities of the WTO, including the Trade Policy Review Mechanism (TPRM)—Thailand was one of the first countries to face a second Trade Policy Review—and the Dispute Settlement System to ensure that it is able to monitor and challenge the trade policies of its partners. Disputes can be used both against neighbours (e.g. Philippines restrictions on Thai sugar), and with

neighbours against large traders (e.g. the case brought by Thailand, Malaysia and Pakistan against US restrictions on shrimp).

- The **first short-term objective** for Thailand is the integration of China, Vietnam and Taiwan into the trading system on a multilateral rather than regional basis. Integration requires substantial bilateral market access negotiations. Thailand should ensure that its interests are not swamped by those of the largest WTO Members in these negotiations, while taking advantage of their market size and the MFN principle to obtain concessions that might not otherwise be available to a small country.
 - The **second short-term objective** is to prepare for the reviews of WTO Agreements and new negotiations, as specified in the Built-In Agenda, given that the early stages of the next Round are effectively underway.
 - In the **medium-term**, as one of the top 15 trading entities in the world, Thailand should play a leadership role in the trading system to ensure that the system is responsive to structural change, that “new” issues are managed in the interests of all Members, that issues better dealt with in other fora (e.g. labour standards) do not undermine the WTO, and that a new “Round” is launched when needed.
- 2) As a small country, Thailand must consider how best to work with other countries in preparing for and shaping the multilateral agenda. No small country can influence the shape of the system by itself, but such countries cannot simply be “system takers” either, given imperfections in the global market for rules.
- Thailand will wish to join a variety of coalitions. Some will be based on common interests in a specific sector (e.g. the Cairns Group), and others on geography (e.g. APEC) or level of development (e.g. the Informal Group of Developing Countries).
 - APEC will be an invaluable forum for sharing information, discussing the implications of new challenges, and building a consensus among countries at various stages of development; it will be occasionally useful for concerting action (such as on the ITA) to be taken in other fora. ASEAN may form the basis for articulating a common regional position in the WTO.
 - Thailand will wish to stay in the Cairns Group, for agriculture, and may wish to work with other countries on such issues as the environment/trade nexus, labour standards, textiles, and investment.
 - International organizations listed in the Appendix, such as UNCTAD, will be useful for sharing information and consulting with like-minded countries as part of the process of building a consensus for the exchange of binding reciprocal obligations in the WTO.

- The strategy will require being able to respond to, which necessitates being informed about, trade policy preferences in developed countries (USA, EU, Japan in particular), especially those that generate pressure for changes in Thai domestic policy.

3) Implementing this strategy will require attention to the tools of trade diplomacy:

- Mechanisms for inter-ministerial trade diplomacy coordination are essential, because trade policy involves foreign policy, fiscal and monetary policy, the domestic regulatory framework, and civil society organizations including firms and NGOs.
- The Ministry of Commerce must develop, or attract, and retain sufficient analytic capacity:
 - a) to understand the full implications of WTO Agreements, and explain them to other Thai officials;
 - b) to understand new issues that emerge on the trade policy agenda;
 - c) to consider the impact on Thailand of its partners' trade policies; and,
 - d) to maintain the statistical capacity that is fundamental to trade diplomacy.
- Thai ambassadors and their staff should be located and chosen having regard to the important contribution they make to the formulation and execution of trade policy, including collecting information abroad and representing Thai interests locally in the development and implementation of trade rules and matters affecting market access.
- Mechanisms for consulting firms in general and by sector must be maintained and enhanced in order to ensure that the Ministry of Commerce:
 - a) is well informed about changes in global markets having trade policy implications; and,
 - b) is able to build domestic understanding for proposed initiatives.
- As trade policy increasingly engages domestic policy, it will be important to maintain open communication with NGOs.

Finally, if I were to make a fourth set of recommendations, it would be that there is no time to waste. It may seem that the traditional foot-dragging in Geneva allows developing countries time to prepare, but such an impression would be dangerously misleading. Work on the WTO medium-term agenda is underway; indeed some argue that the next "Round" has already begun.

APPENDIX

International Organizations in the domain of trade relevant to Thailand

The WTO is the heart of the trading system, but it is not the only body with a trade role. This Appendix contains a brief description of some of the international organizations to which Thailand belongs that are relevant for trade. The list begins with multilateral organizations, putting the WTO first, followed by UN bodies with related mandates. The next two sections include regional organizations and regional consensus building bodies. International financial institutions are included in the fourth section as a reminder: a) that the WTO is required to play a role with the other Bretton Woods institutions in ensuring the coherence of global economic policy; b) that the international system of trade and payments is seamless; and, therefore, c) that important information about and analysis of the trading system often comes from the IMF and the World Bank. The OECD is included in the final section because opportunities exist from time to time for non-members to collaborate in or benefit from its work.

Political considerations are one motivation for closer regional cooperation (for example, in the EU), and stable political relations can facilitate economic collaboration, but the ARF is the only security forum on this list. Security cooperation in the region over the past few decades has not been as institutionalized as in western Europe, but it is significant. The Asian security architecture rests on an interlocking web of bilateral arrangements mostly involving the United States with various regional allies. Some inter-governmental fora are emerging, however. (see Haacke, 1997; and, Kahler, 1995a)

A) Multilateral

World Trade Organization (WTO)

- Incorporating the General Agreement on Tariffs and Trade (GATT), the WTO was created to provide a forum for multilateral trade negotiations and a framework for the implementation of their results, including the exchange of binding reciprocal tariff reductions, and to administer the dispute settlement procedures
- It administers the Trade Policy Review Mechanism (TPRM), and cooperates with the IMF and the World Bank with a view to achieving a greater coherence in global economic policy.
- Thailand became the 59th founding member on 28 December, 1994

Cairns Group

- Argentina, Australia, Brazil, Canada, Chile, Columbia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, Thailand, and Uruguay, South Africa is expected to join in 1998. (EU, USA and Japan are invited to the opening session of Ministerial meetings.)
- The Cairns Group of Fair Trading Nations was called a 'third force' in the conduct of the Uruguay Round agriculture negotiations. The now 13

countries first met as a group of 5 in Uruguay in early 1986; the group was formally constituted at a Ministerial meeting in Cairns, Australia in August 1986. The United States, the EU and Japan were invited observers, at least at the early meetings.

- The group's supporters claim that the Cairns Group represents a unique evolution in the process of coalition building in multilateral trade negotiations. Its critics counter that the endeavours of the Cairns Group to stimulate international agricultural reform must be seen as quixotic in practice and overstated in theoretical significance.

UN Conference on Trade and Development (UNCTAD)

- The conference (attended by representatives of over 170 countries) meets every four years, but the organization in Geneva exists as a permanent organ of the UN General Assembly; the governing body is the Trade and Development Board.
- UNCTAD aims to restructure the international patterns of trade and commerce so as to ensure that LDCs play an active participatory role in the emerging world of global economic interdependence. It also attempts to strengthen national economic structures in the developing world.
- UNCTAD serves as a forum for negotiating or proposing multilateral agreements on trade and development, as well as to harmonize divergent policy positions held by its members.
- It also cooperates with the WTO in the analysis of such new domains as investment, and competition policy (restrictive business practices).

Common Fund for Commodities

- Thailand became a member in 1992; the country is also a member of several commodity agreements for such things as coconuts, rubber, coffee, sugar, tropical timber and tin. (WTO, 1995, p. 22)

Group of 77 (G-77)

- Formed in Algiers in 1967, following recommendations from the first conference of UNCTAD, the organization exists to promote economic cooperation among LDCs and to allow these states to speak with a single unified and coherent voice in international negotiations
- It is of diminished significance, especially in the WTO

International Trade Centre

- a joint UNCTAD-WTO body that provides assistance on things like export promotion to developing countries

Food and Agriculture Organization (FAO)

- The aim of the FAO is to raise the standard of living and nutritional health in all of its member states. It gathers and disseminates information; aids its members in policy planning; provides a forum for debate and discussion; and engages in major programs of technical advice and assistance. It works in the domains of Commodity Problems; Fisheries; Forestry; Agriculture; and World Food Security.
- The FAO cooperates with the WHO on the Codex Alimentarius Commission, which plays a role in consideration of matters arising under the WTO *Agreement on the Application of Sanitary and Phytosanitary Measures*.²⁰
- The FAO Conference - with one representative from each member state - meets every two years. Headquarters are in Rome, Italy but it has regional offices throughout the world—its Regional Office for Asia and the Pacific is in Bangkok.

International Labour Organization (ILO)

- the ILO, founded in 1919, aims to improve the economic and social well-being of people everywhere through setting and observing international standards; extending technical cooperation to member states; and by collecting and transmitting research information
- The Singapore Ministerial conference of the WTO asked the ILO to lead work on the relation between trade and labour standards

Economic and Social Commission for Asia and the Pacific (ESCAP)

- ESCAP goals are to work towards the economic reconstruction of the region, both by encouraging increased economic activity, and by strengthening economic relations
- a regional commission of the UN based in Bangkok, it meets annually at the ministerial level; comprehensive membership, including several states (Nauru, Tonga and Tuvalu) which are not members of the UN
- maintains committees on: Agriculture; Rural Development and the Environment; Development Planning and Statistics; Industry, Technology and Human Settlements; Trade; Natural Resources and Energy; Population and Social Development; Transport and Shipping; Communications

World Intellectual Property Organization (WIPO)

- cooperates in the operation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

International Organization for Standardization (IOS)

²⁰ Also relevant for WTO SPS work are the *Office international des épizooties* (OIE), the veterinary people (bovine brucellosis, BSE etc.), and the *International Plant Protection Convention* (IPPC), whose Secretariat is provided by the FAO.

- cooperates with WTO on standards issues.

UN Commission on International Trade Law (UNCITRAL)

- cooperates with WTO on transparency in government procurement and trade facilitation.

World Customs Organization

- cooperates with WTO on Rules of Origin

B) Regional Organizations

Asia-Pacific Economic Cooperation Forum (APEC)

- founded in 1989 at the suggestion of Australia, it is intended to serve as a regular forum for debating and discussing issues of regional trade and economic cooperation
- membership is virtually all of Asia (including China, Hong Kong and Taiwan) as well as Australia, New Zealand, Canada, Chile, Mexico and the United States
- headquartered in Singapore, it meets annually in a member country at Leader and Ministerial levels

Bogor Declaration - 1994

- APEC has pledged to achieve free and open trade and investment throughout the region by 2020
- the Declaration took account of the different stages of economic development within its members by setting two target dates: 2010 for industrialized economies, and 2020 for developing economies
- APEC members are working on implementing the Bogor commitments in the fields of trade liberalization, trade facilitation and economic and technical cooperation

Association of Southeast Asian Nations (ASEAN)²¹

- aims include fostering economic and trade linkages, regional peace and stability and agricultural, cultural and educational collaboration
- Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam; Laos and Myanmar joined in 1997
- Heads of Government meetings are every three years and serve as the highest decision-making fora; ASEAN foreign ministers, however, have an annual meeting. The position of Secretary-General rotates throughout

²¹ For analysis, see Pomfret (1997)

the membership alphabetically. The permanent Secretariat is in Jakarta, Indonesia

ASEAN Free Trade Area (AFTA) - 1992

- In January 1992 ASEAN members pledged at the Fourth ASEAN summit in Singapore to create a free trade area within 15 years.

ASEAN Regional Forum (ARF)

- created 1992 by the ASEAN Post-Ministerial Conference (PMC) as a forum for broad consultation on peace and security in the region

East Asian Economic Caucus

- first proposed by Malaysia in 1990 as a regional forum able to represent members views in multilateral negotiations and to expand regional cooperation linking the south-east and north-east Asian countries. Proposal was discussed at the ASEAN summit meeting in January 1992; leaders agreed to suspend it and launched the AFTA proposal instead (Harmsen and Leidy, 1994, p. 110). Japan in particular appeared to favour APEC, which has clear extra-regional links, over EAEC.
- the proposed informal Summit between ASEAN, China, Japan and South Korea, planned for late 1997, may revive the idea
- members: Brunei, China (PRC), Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, Thailand

Greater Mekong Sub-region - 1991

- this grouping consists of Cambodia, Lao People's Democratic Republic, Thailand, Vietnam, and the Yunnan Province of the People's Republic of China
- the group focuses on establishing improved infrastructure and transportation network projects, as well as exploring opportunities in the energy and resource sector
- Thailand has been particularly active in encouraging the transition of these economies towards a more market-based system, and in pushing for further development of human resources and education

Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) - 1993

- this is a sub-regional grouping, composed of the states of Northern Sumatra and Di Aceh (Indonesia), the four states of Northern Malaysia and the five provinces of Southern Thailand
- it was formed to spur the participation of the private sector in economic growth, as well as to expand export linkages, and improve development through improved inter-country / inter-state relations

- tariff reductions under the AFTA plan are progressing, as well as the gradual elimination of some NTBs, such as decentralizing the authority of the issuing of import licenses, and improved channels for the exchange of information and expertise, often under ADB auspices
- 20 new joint projects have recently been launched within the region, encompassing: infrastructure; trade and industry; human resource development; agriculture; tourism; and services

3) Regional consensus-building bodies

Pacific Economic Cooperation Council (PECC)

- An informal collective based in Singapore that aims to promote regional economic cooperation in the Pacific Rim. PECC undertakes policy-oriented research in seven fields: agriculture; fisheries; human resource development; science and technology; transportation, telecommunications and tourism; minerals and energy; and trade policy
- The Council, which meets annually, is tripartite, containing representatives from government, the private sector and academia; its Standing Committee has 22 members.
- PECC publishes a quarterly newsletter and an annual *Pacific Economic Outlook*

Asian Productivity Organization (APO)

- APO attempts to increase regional economic cooperation as a precondition to increased national and the regional economic productivity and efficiency
- focusing on the agriculture, industry and service sectors, the APO transmits productivity information and expertise, as well as performing analysis for members desiring sectoral improvements
- virtually all Asian nations are members (with China as a notable exception)
- headquarters are in Tokyo, Japan
- Publications: *APO News* (monthly); *Role of General Trading Firms in Trade and Development*; *Productivity Through People in the Age of Changing Technology*

Pacific Telecommunications Council (PTC)

- based in Honolulu, the PTC is a non-profit corporation which acts as an information clearinghouse and discussion forum for telecommunications issues in the Pacific Rim
- the PTC is run by its Executive Board, consisting of a President and eight VPs, but it also has a Board of Trustees to ensure regional representation and input
- its membership is very broad, consisting of individuals, corporations and institutions in 39 countries

Pacific Trade and Development Centre

- information not available

4) International financial organizations

International Monetary Fund (IMF)

- permanent organization of 181 member countries
- forum for the discussion of domestic and international economic issues. Its member nations contribute to a pool of currencies from which all may borrow for a short time to tide them over periods of difficulty in meeting their international obligations
- key obligations include currency convertibility (Article VIII) and mutual surveillance (Article IV)
- The IMF has an extensive program of technical assistance for the officials of Ministries of Finance and central banks.

Paris Club

- Representatives of the holders of official debt meet in Paris to discuss, among other things, rescheduling agreements.

London Club

- Representatives of the holders of private debt (sovereign obligations to private entities) meet in London to discuss, among other things, rescheduling agreements.

World Bank

- the World Bank group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). This group of organizations are involved in lending on concessional terms to the poorest countries, financing private sector projects and advising businesses and governments on investment issues, and promoting foreign direct investment through guarantees, policy advice and promotional services

Asia Development Bank (ADB)

- The ADB promotes economic growth through the investment of both public and private capital; provides loans for development projects; and assists in economic organization and planning in its member states
- The Board of Governors consists of a Governor and Alternate Governor from every country

- membership encompasses 36 states and territories in the region; in addition, 16 non-regional governments have representatives at the Bank
- headquarters are in Manila, Philippines

5) pour memoire

Organisation for Economic Co-operation and Development (OECD), 1961

- The OECD members include all of the advanced industrial countries, including Mexico. The Czech Republic, Hungary, Poland and Korea became members in 1996, and Slovakia is in the advanced stages of membership negotiations. Russia applied to join in May 1996, but admission will not come soon.
- Where the GATT preamble speaks of a desire to enter into *reciprocal* arrangements, Article 1 of the OECD Convention says that the organization shall promote policies designed:
 - to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
 - to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
 - to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.
- The OECD, with its large secretariat able to take some policy initiative on its own, is a forum for joint policy analysis, and mutual surveillance through “peer review” notably in the annual Surveys of each member economy.
- OECD has also been active in working with what it calls the “dynamic non-member economies,” (DNMEs) through a research and conference program. (Some of the results are mentioned in the literature survey.)
 - DNMEs: Argentina, Brazil, Chile, Hong Kong, Korea, Malaysia, Singapore, Chinese Taipei and Thailand

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