Power, Politics, and Production: How WTO Bargaining Shapes Global Development Outcomes

International Institute for SDGS and Public Policy Research (IISPPR): February Group 1 Economics 2 (publishing)

Authors: Devine Odiley, Kushaal Kackar, Palak

1. Introduction

Since its establishment in 1995, the World Trade Organization (WTO) has functioned as the central institutional pillar of the multilateral trading system, tasked with promoting trade liberalisation, reducing uncertainty in international commerce, and supporting economic development. The organisation's institutional framework is formally grounded in the principles of sovereign equality and consensus-based decision-making, suggesting a rules-based system in which all member states participate on equal footing (Maswood, 2005). In practice, however, scholars in international political economy have long questioned whether this formal equality translates into substantive equality in influence and outcomes.

A substantial body of literature argues that the WTO operates within broader global power hierarchies that privilege economically dominant states. These hierarchies manifest in agenda-setting practices, technical capacity disparities, and informal negotiating procedures that allow powerful members to shape outcomes in ways that align with their domestic economic interests (Wolfe, 2007; Kahler, 2013). As a result, the WTO has often been characterised less as a neutral arbiter of trade rules and more as a site of strategic bargaining in which structural power is reproduced through institutional processes (Balaam & Dillman, 2019).

This paper examines how power relations within the WTO influence global development outcomes, with particular attention to industrialisation and export diversification in developing and least-developed countries. By combining institutional analysis with comparative economic indicators, the study seeks to connect the politics of trade governance with observable patterns of structural transformation. The central argument is that although the WTO has contributed to the expansion of global trade and the consolidation of a predictable legal framework, its institutional practices and rule structures continue to reflect asymmetries that constrain the development strategies of weaker members.

2. Literature Review

Scholarly literature on the World Trade Organization (WTO) situates the institution within a broader global political economy characterised by persistent tensions between states with divergent economic interests. The diversity of actors in the international system, coupled with asymmetries in economic power, has historically generated conflict over the rules governing international trade. As Wang and Chen (2023) argue, these tensions were central to the creation of the General Agreement on Tariffs and Trade (GATT) and, later, the WTO, which were designed to provide a multilateral forum for coordinating trade regulations and resolving disputes through negotiated rules rather than unilateral action. The overarching objective of this institutional framework has been to promote stability in global commerce and raise global living standards through trade liberalisation (Yigzaw, 2021).

Despite these formal goals, a substantial body of research has questioned the extent to which the WTO's decision-making processes produce equitable outcomes. Historical and institutional analyses highlight enduring frictions between developed and developing countries, particularly regarding agenda-setting, rule formation, and the distribution of gains from trade. Studies of WTO governance emphasise that although the organisation is formally based on consensus and sovereign equality, informal practices and disparities in negotiating capacity often allow advanced economies to exert disproportionate influence over outcomes (Wolfe, 2007; Maswood, 2005). Such critiques reflect broader structuralist perspectives that view international economic institutions as embedded within hierarchies that reproduce existing global inequalities.

Research on coalition politics and developing-country participation further illustrates these dynamics. The emergence of negotiating blocs such as the G20 and the African Group has been interpreted as a strategic response to structural marginalisation within the WTO's decision-making processes (Patel, 2007). However, scholars also note that the growing heterogeneity of the Global South has complicated collective action, as large emerging economies sometimes pursue interests that diverge from those of least-developed countries (Casado Asensio & Holzinger, 2022).

While existing literature provides extensive analysis of institutional power and procedural inequality, fewer studies systematically connect these diplomatic dynamics to measurable economic outcomes such as industrialisation, export diversification, and structural transformation. This paper addresses this gap by examining how asymmetries in bargaining power within the WTO are reflected not only in negotiated agreements but also in divergent development trajectories across member states. By linking institutional politics to economic indicators, the study contributes to bridging the divide between diplomatic analyses of trade governance and empirical assessments of global development patterns.

3. Research Design and Methodology

This study employs a qualitative and interpretivist research design to analyse how power asymmetries within the WTO shape both institutional decision-making and economic outcomes. Qualitative approaches are particularly suited to the study of international organisations, where formal rules often coexist with informal practices that are difficult to capture through quantitative modelling alone (George & Bennett, 2005).

The analysis is guided by a theoretical framework that integrates realist, structuralist, and institutionalist perspectives. Realist approaches emphasise the role of material capabilities - such as economic size, trade volume, and geopolitical influence - in shaping bargaining outcomes within international organisations (Mearsheimer, 2001). Structuralist and dependency-informed approaches, by contrast, highlight how the global economic system is characterised by persistent inequalities between core and peripheral economies, which are reproduced through international trade regimes (Taylor, 2021). Institutionalism contributes an additional layer of analysis by examining how rules, procedures, and organisational norms constrain and channel state behaviour over time (Keohane, 1984).

The study adopts purposive case selection to capture variation across different positions within the global trade hierarchy. The United States and the European Union are examined as dominant actors with significant agenda-setting power. China and India are included as emerging economies whose growing economic weight has altered bargaining dynamics within the WTO (Casado Asensio & Holzinger, 2022). Bangladesh and Ethiopia serve as illustrative cases of lower-income members whose development trajectories are particularly sensitive to global trade rules and market access conditions.

Primary sources include WTO ministerial declarations, dispute-settlement reports, and committee records, while secondary sources include academic analyses and policy reports from organisations such as the World Bank and UNCTAD. The analytical strategy combines process tracing and comparative analysis to link institutional dynamics to broader economic trends (George & Bennett, 2005).

4. WTO Decision-Making and Institutional Power Politics

The formal architecture of WTO decision-making is designed to convey democratic legitimacy. Each member state possesses one vote, and most decisions are formally adopted through consensus, reflecting the principle of sovereign equality (Maswood, 2005). In theory, this structure should prevent domination by powerful states and ensure that trade rules reflect the collective will of the membership.

In practice, however, informal negotiating practices have significantly reshaped how consensus is constructed. The most prominent example is the use of “Green Room” meetings - closed-door consultations involving a limited number of influential members - where substantive bargaining often takes place before draft agreements are presented to the wider membership (Wolfe, 2007). These informal forums allow major trading powers to shape agendas, draft texts, and coordinate positions in ways that smaller delegations struggle to counter due to limited diplomatic and technical capacity.

Capacity constraints constitute a major structural barrier to effective participation by developing countries. Many least-developed countries maintain small permanent missions in Geneva and lack the personnel required to attend overlapping meetings, analyse complex legal texts, and engage in technically demanding negotiations on issues such as intellectual property and sanitary standards (Elsig, 2007). Participation without the ability to engage substantively can therefore amount to a form of procedural inclusion that masks substantive exclusion.

These dynamics have significant implications for the legitimacy of the WTO. The distinction between input legitimacy (fairness in decision-making processes) and output legitimacy (fairness in negotiated outcomes) helps illustrate how procedural inequalities can undermine confidence in the institution (Scharpf, 1999). When developing countries are excluded from early-stage negotiations, both forms of legitimacy are weakened, even if formal consensus is ultimately achieved.

4.1.1 Bargaining, Coalitions, and Case Studies

4.1.1.1 Coalition Politics and the Changing Balance of Power

Coalition-building has emerged as one of the primary strategies through which developing countries seek to counterbalance the structural advantages of major trading powers. Groups such as the G20, G33, and the African Group have allowed weaker members to coordinate negotiating positions, share technical expertise, and increase their collective bargaining power (Patel, 2007). The proliferation of such coalitions since the late 1990s has altered the dynamics of WTO negotiations by complicating efforts by dominant states to secure agreements through bilateral pressure.

The rise of emerging economies has further transformed the institutional landscape. The growing economic weight of countries such as China, India, and Brazil has weakened the earlier dominance of the so-called Quad - comprising the United States, the European Union, Japan, and Canada - leading to a more multipolar distribution of influence within the organisation (Casado Asensio & Holzinger, 2022). However, this shift has also generated new tensions within the developing world, as the interests of large emerging economies do not always align with those of least-developed countries.

4.1.1.2 The Doha Development Round

The Doha Development Round, launched in 2001, was intended to address long-standing concerns about the developmental implications of earlier trade agreements. Negotiations quickly became deadlocked over agricultural subsidies, market access, and the scope of special and differential treatment provisions (Cho, 2010).

At the 2003 Cancún Ministerial Conference, a coalition of developing countries led by Brazil, India, and China rejected a draft agreement that they viewed as insufficiently responsive to their concerns about agricultural protection in developed economies. This marked a significant shift in negotiating dynamics, demonstrating that coordinated action by developing countries could disrupt established bargaining hierarchies (Lipscy & Lee, 2022). Nevertheless, the eventual collapse of the Doha Round illustrated the limits of coalition leverage, as domestic political constraints in major economies prevented meaningful concessions on sensitive sectors such as agriculture.

4.1.1.3 The Appellate Body Crisis

The paralysis of the WTO's Appellate Body represents one of the most significant institutional crises in the organisation's history. Beginning in 2017, the United States blocked the appointment of new Appellate Body members, arguing that the body had exceeded its mandate and encroached on national sovereignty (Roberts, Stantcheva, & Zucman, 2025). By December 2019, the number of sitting judges had fallen below the quorum required to hear appeals, effectively disabling the appellate tier of the dispute-settlement system.

The weakening of dispute settlement has had asymmetric effects across the membership. Larger economies have been better able to rely on unilateral measures or bilateral negotiations to resolve disputes, while smaller countries have lost a key mechanism through which they could challenge discriminatory trade practices (Suarez, 2024). The practice of appealing panel reports "into the void" has further undermined the enforceability of WTO rulings and eroded confidence in the rules-based trading system.

5. Analysis of Economic Outcomes

5.1 What is development? – definitions and key indicators

In the 21st century, global debates on economic progress are centred around contested concepts such as development, living standards, and sustainable growth. These concepts are inherently difficult to define and measure, particularly in relation to the performance of national economies within the global economic system. Furthermore, establishing a direct causal relationship between the multilateral arrangements of the World Trade Organization (WTO) and the developmental trajectories of its member states remains analytically complex (Anderson, 2014). Nevertheless, it is essential that this paper establishes clear definitional parameters to meaningfully assess global economic outcomes.

This paper conceptualises development primarily through the lens of industrialisation. While alternative frameworks such as human development approaches advanced by the United Nations Development Programme emphasise broader social indicators, industrialisation remains central to understanding structural economic transformation (Heywood and Whitham, 2023). According to Simandan (2009), industrialisation refers to a broad set of economic and social processes associated with the creation of value in the secondary sector. It is particularly relevant to this paper given its close alignment with the stated objectives of the WTO, which seeks to leverage international trade liberalisation to raise global living standards (Yigzaw, 2021). More specifically, the WTO maintains that "the opening of national markets to international trade, with justifiable exceptions or with adequate flexibilities, will encourage and contribute to sustainable development, raise people's welfare, reduce poverty, and foster peace and stability." (World Trade Organization, 2019)

Industrialisation is widely regarded as a key driver of economic development. Through the expansion of manufacturing capabilities, economies benefit from infrastructure development, increased productivity, employment generation, and rising incomes. These processes contribute to sustained economic growth and improved welfare outcomes (United Nations Industrial Development Organisation, 2020). This is particularly significant for economies in the Global South, including those in Sub-Saharan Africa, where trends of deindustrialisation and continued reliance on primary commodity exports have been observed since the early 2000s (Taylor, 2021). Limited export diversification exposes such economies to volatility in global markets, constraining stable growth trajectories. Consequently, there remains a strong developmental imperative for structural transformation towards increased industrial capacity, enabling greater value capture within global value chains and supporting long-term economic development (MacLeod and David, 2023).

Simandan (2009) identifies three key indicators of industrialisation: the relative contribution of the secondary sector to gross domestic product (GDP), the share of employment in industry relative to agriculture, and observable changes in the physical and economic landscape. While these indicators are not exhaustive, they provide a useful foundation for selecting measurable variables relevant to global trade and industrial performance.

Drawing on data from the World Bank and the United Nations Conference on Trade and Development (UNCTAD), this study examines three key indicators to assess industrialisation across regions: manufacturing value added as a percentage of GDP, manufactures exports as a percentage of total merchandise exports, and export product concentration. These indicators capture complementary dimensions of industrial development, namely domestic production capacity, participation in global manufacturing trade, and the degree of export diversification.

Manufacturing value added refers to the contribution of manufacturing activities to the overall economy, measured as the value of output minus intermediate consumption, expressed as a percentage of GDP (World Bank, n.d.-a). Manufactures exports represent the share of total merchandise exports composed of manufactured goods, including chemicals, machinery, and other industrial products (World Bank, n.d.-b). Export concentration reflects the extent to which a country's exports are diversified or dependent on a narrow range of products (UNCTAD, 2019).

These indicators have been selected because they collectively capture the core features of industrialisation. Manufacturing value added reflects the scale of domestic industrial production relative to other sectors, manufactures exports indicate integration into global manufacturing markets, and export concentration provides insight into the structural composition and resilience of national economies. Together, they enable a comprehensive assessment of industrial development within the global trade system.

5.2 What do the numbers say?

This section draws on data from the World Bank's World Development Indicators and UNCTAD between 2004 and 2024 to analyse global trends in industrialisation.

Across all regions, manufacturing value added as a percentage of GDP exhibits a general downward trend. High-income countries experienced the most pronounced decline, falling from approximately 15.5% in 2004 to 12.4% in 2024. In contrast, low- and middle-income countries recorded a more moderate decrease of approximately 1.13 percentage points. This aggregate trend, however, is influenced by the inclusion of large economies such as China and India, which, despite their classification as middle-income countries, maintain substantial industrial bases.

A regional comparison reveals more nuanced patterns. Sub-Saharan Africa experienced the largest decline in manufacturing value added over the period, with a decrease of approximately 3.01 percentage points. In contrast, East Asia and the Pacific recorded the smallest decline, at approximately 0.72 percentage points, maintaining relatively high levels of industrial activity.

Similar trends are observed in manufactures exports as a percentage of total merchandise exports. High-income countries again experienced a steeper decline (approximately 4.35 percentage points) compared to low- and middle-income countries (approximately 1.50 percentage points). Regionally, Sub-Saharan Africa recorded the largest decrease (approximately 11.47 percentage points), while East Asia and the Pacific showed only a marginal decline (approximately 1.81 percentage points), indicating continued strength in manufacturing exports.

Export concentration data further highlights structural differences across regions. In 2024, Europe and Latin America and the Caribbean exhibited relatively diversified export structures, with concentration indices around 0.10. In contrast, regions such as Western Asia and Northern Africa (0.27), Oceania (0.26), and Sub-Saharan Africa (0.22) displayed higher levels of export concentration. Least Developed Countries (LDCs) show particularly high levels of concentration, reflecting dependence on a narrow range of export products. For instance, approximately 76.8% of Africa's exports in 2024 consisted of primary goods, compared to 52.6% in the Developing Americas.

5.3 What do the numbers mean in relation to WTO power dynamics?

Interpreting these findings requires caution. It is not possible to establish a direct causal relationship between observed economic outcomes and the institutional arrangements of the WTO (Anderson, 2014). The global political economy is shaped by a complex interplay of state and non-state actors operating across multiple levels, making attribution inherently difficult. Nevertheless, the observed trends provide important insights into the functioning of the global trade system.

The decline in manufacturing shares across many economies may, in part, reflect structural shifts towards service-based activities, particularly in high-income countries.

This transformation has been facilitated by the expansion of global trade rules beyond goods, including agreements on intellectual property and investment such as TRIPS and TRIMS (Wang and Chen, 2023). However, the data also suggests uneven patterns of industrial development across regions. While some regions, particularly in East Asia, have maintained relatively strong manufacturing bases and export performance, others – most notably Sub-Saharan Africa – have experienced more pronounced declines in industrial indicators alongside high export concentration. This divergence points to unequal integration into global value chains, with certain regions capturing higher levels of value-added production while others remain dependent on primary commodity exports.

These patterns may be linked to broader structural dynamics within the global trade regime. The expansion of transnational corporations and global value chains – enabled by trade liberalisation – has facilitated the relocation of manufacturing activities, often favouring regions with established industrial capabilities and supportive policy environments (Balaam and Dillman, 2019). As a result, industrial production has become geographically concentrated, particularly in East Asia, while other regions have struggled to achieve comparable levels of industrialisation.

Critiques of the WTO highlight persistent asymmetries in bargaining power between developed and developing countries. Scholars such as Wang and Chen (2023) argue that the structure of negotiations and the resulting agreements have historically reflected the interests of more advanced economies. These dynamics may limit the policy space available to developing countries to pursue industrial strategies, thereby influencing their developmental trajectories.

Taken together, the quantitative evidence suggests that while the global trade regime has facilitated economic integration, it has not produced uniform industrial development outcomes. Instead, patterns of industrialisation and export diversification remain uneven, raising important questions about the extent to which existing trade structures support inclusive and sustainable development.

6. Conclusion

This paper has demonstrated that power asymmetries within the WTO shape both the organisation's internal decision-making processes and the distribution of economic gains from global trade. Although the institution is formally grounded in principles of sovereign equality and consensus, informal practices such as Green Room negotiations, capacity disparities, and the strategic use of market power have allowed dominant states to exert disproportionate influence over rule formation and agenda-setting (Wolfe, 2007; Maswood, 2005).

The cases of the Doha Development Round and the Appellate Body crisis illustrate how these asymmetries manifest in practice. While coalition-building has enabled developing countries to resist certain outcomes, structural constraints and domestic political considerations in major economies have frequently limited the scope for meaningful reform (Lipscy & Lee, 2022). The weakening of the dispute-settlement system has further exacerbated inequalities by reducing the ability of smaller states to rely on multilateral legal mechanisms to defend their interests.

At the level of economic outcomes, the evidence indicates that the global trade regime has been associated with uneven patterns of industrialisation and export diversification. While some economies - particularly in East Asia - have leveraged trade liberalisation to accelerate structural transformation, others, especially in Sub-Saharan Africa, have remained locked into primary commodity dependence and have struggled to build competitive manufacturing sectors (UNCTAD, 2019; World Bank, 2024).

Taken together, these findings suggest that the WTO’s existing institutional framework has been more effective at managing trade relations among relatively equal partners than at addressing deep-seated inequalities in productive capacity and bargaining power. Without reforms that expand policy space, strengthen dispute settlement, and enhance the participation of weaker members, the multilateral trading system is likely to continue reproducing global economic hierarchies rather than mitigating them.

References

1. Adegoke, Y. (2024). Why developing countries must unite to protect the WTO's dispute settlement system. *The Conversation*. https://theconversation.com/why-developing-countries-must-unite-to-protect-the-wtos-dispute-settlement-system-224102
2. Anderson, K. (2014). Contributions of the GATT/WTO to global economic welfare: Empirical evidence. *Journal of Economic Surveys, 30*(1), 56–92. https://doi.org/10.1111/joes.12087
3. Balaam, D. N., & Dillman, B. (2019). *Introduction to international political economy* (7th ed.). Routledge.
4. Casado Asensio, J., & Holzinger, K. (2022). Differential treatment for developing countries in the WTO: The unmaking of the North–South distinction in a multipolar world. *Third World Quarterly, 43*(3), 542–560. https://doi.org/10.1080/01436597.2021.1992271
5. Chang, H.-J. (2002). *Kicking away the ladder: Development strategy in historical perspective*. Anthem Press.
6. Cho, S. (2010). The Doha Round negotiation in the World Trade Organization. *Chicago-Kent Journal of International and Comparative Law*. https://scholarship.kentlaw.iit.edu
7. Congressional Research Service. (2007). *WTO Doha round: The agricultural negotiations*. https://www.everycrsreport.com/reports/RL33144.html
8. Daemmrich, A. A. (2012). *Stalemate at the WTO: TRIPS, agricultural subsidies, and the Doha Round* (Background Note 711-043). Harvard Business School.
9. Elsig, M. (2007). The EU's choice of regulatory venues for trade negotiations: A tale of agency power? *Journal of Common Market Studies, 45*(4), 927–948.
10. George, A. L., & Bennett, A. (2005). *Case studies and theory development in the social sciences*. MIT Press.
11. Heywood, A., & Whitham, B. (2023). *Global politics* (3rd ed.). Bloomsbury.
12. Kahani, A. (2013). WTO decision-making process and its challenges by developing countries. *Academia.edu*. https://www.academia.edu/27951720
13. Keohane, R. O. (1984). *After hegemony: Cooperation and discord in the world political economy*. Princeton University Press.

14. Lipscy, P. Y., & Lee, H. (2022). Developing-country status at the WTO: The divergent strategies of Brazil, India and China. *International Affairs, 98*(6), 1937–1959. https://doi.org/10.1093/ia/iiac214
15. Luke, D., & MacLeod, J. (2023). *How Africa trades*. LSE Press.
16. Maswood, S. J. (2005). Decision making in the WTO: Does it truly represent the developing countries? *ResearchGate*. https://www.researchgate.net/publication/257142433
17. Mearsheimer, J. J. (2001). *The tragedy of great power politics*. W. W. Norton.
18. Patel, M. (2007). *Developing country coalitions and decision-making in the WTO* (GEG Working Paper 2007/WP33). Global Economic Governance Programme.
19. Roberts, A., Lamp, N., & Moraes, H. (2025). Unravelling of the trade legal order: Enforcement, defection and the crisis of the WTO dispute settlement system. *International Affairs, 101*(3), 1103–1130. https://doi.org/10.1093/ia/iiae279
20. Scharpf, F. W. (1999). *Governing in Europe: Effective and democratic?* Oxford University Press.
21. Simandan, D. (2009). Industrialization. In R. Kitchin & N. Thrift (Eds.), *International encyclopedia of human geography*. Elsevier.
22. Suarez, F. (2024). The Appellate Body impasse: How to make the WTO great again? *NYU Journal of International Law and Politics, 56*(3), 965–998.
23. Taylor, I. (2021). Africa in the global political economy. In T. Falola & S. Oloruntoba (Eds.), *The Palgrave handbook of African political economy* (pp. 93–113). Springer.
24. United Nations Conference on Trade and Development. (2019). *Indicators explained #3: Export product concentration index*. UNCTAD.
25. United Nations Conference on Trade and Development. (2024). *UNCTAD data hub*. https://unctadstat.unctad.org
26. United Nations Industrial Development Organization. (2020). *Industrial development report 2020: Industrializing in the digital age*. UNIDO.
27. Wang, Z. J., & Chen, J. (2023). *International trade regulation: Evolving dynamics and shifting foundations*. Taylor & Francis.
28. Wolfe, R. (2007). *WTO decision-making and developing countries*. Institute for Agriculture and Trade Policy. https://www.iatp.org/files/WTO_Decision-Making_and_Developing_Countries.htm
29. World Bank. (2024). *World development indicators*. World Bank. https://data.worldbank.org
30. World Trade Organization. (2019). What is the WTO? https://www.wto.org/english/thewto_e/whatis_e/wto_dg_stat_e.htm

31. Yigzaw, D. A. (2021). On the obituary of the Doha Round: A path for reinventing the WTO's future. *International Journal of Political Science, Law and International Relations, 11*(1), 25–36. https://doi.org/10.24247/ijpslirjun20213