

leadership to shore up the multilateral system but the emerging markets and the LDCs are not ready to take over leadership.

This is problematic since, in the consensus view, there seems to be no alternative to the multilateral system to address many key and still unresolved issues that continue to disturb the smooth functioning of the global trade system.

First, an agreement could help clarify systemic questions raised by the present lack of a coherent view of where the multilateral system is going. The consensus on embedded liberalism has collapsed. The old multilateral framework based on the GATT has evolved into something more than just a trade system; as one observer put it, it is at present a strange and unbalanced amalgam with the "rights" of one factor of production—intellectual property—being protected but not others. There is no consensus on this "system". It is driven by ad hoc, episodic liberalization, mingling foreign policy with economics—"episodic ad hocery" one might call it. At the same time, it was argued that the broader systemic issues could not be handled within the WTO negotiations alone. The ability to achieve consensus within a group of 149 Members<sup>3</sup> is limited; this constrains the areas on which the WTO will be able to move. Hence labour, investment, etc. cannot be built into the multilateral framework in any significant fashion. Other mechanisms are needed for these areas.

Second, without an agreement, the WTO would be weakened as an institution—it would be a ship without a rudder. The momentum for reform would be dissipated and the WTO's ongoing role as "overseer" of the multilateral system would be weakened.

Third, the dispute settlement mechanism in particular needs an agreement. Without the "legislative" guidance provided by a broad agreement amongst the Members, the evolution of the system would increasingly be based on decisions by the judicial arm through settlement of disputes. This raises new issues since, with the expiry of the "Peace Clause" in the Agreement

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<sup>3</sup> Editor's note: the number of WTO Members has since increased to 150 with the accession of Vietnam on January 11, 2007.