

## **WORLD TRADE ORGANIZATION: SUCCESSES AND FAILURES**

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### **Abstract:**

We are in the era of globalization since the beginning of the third millennium. This is because economies began to be integrated since then in terms of products, culture, trade, investments and many more. According to the International Monetary Fund (IMF), among the most basic aspects of globalization includes the (1) trade and transactions; (2) movements of capital and investments; as well as (3) migration or movement of people; and (4) dissemination of knowledge.

The World Trade Organization (WTO) holds its special place in this era of globalization as it is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. As an international organization it has seen its own share of successes and failures in different contexts. Present paper tries to get a view of both and critically analyze the implications of having and not having WTO on world scenario.

## **Introduction**

The WTO was established in 1995 but it really has a much longer history than that. After the Second World War many countries were economically depressed and the Allied countries, led by the US, thought that it was vital to promote the spread of liberal capitalism, economic co-operation and increased world trade as a means of preventing future global conflict and the spread of communism. As a result of the Bretton Woods Conference in 1944, the 44 Allied countries signed an agreement to set up institutions that would regulate the global monetary system – the World Bank and the International Monetary Fund. The original intention was to create a third institution to handle the trade side of international economic co-operation. This was to be known as the International Trade Organization (ITO), which was to be a specialized agency of the United Nations. The draft ITO Charter was ambitious and complex. It included rules on employment, commodity agreements, restrictive business practices, international investment and services. The aim was to create the ITO at a UN Conference on Trade and Employment in Havana, Cuba, in 1947.

However, the US refused to sign the original ITO charter, with the result that it was never ratified. Instead, over the following years there were a series of General Agreements on Tariffs and Trade (GATT) on specific trade-related issues that were a consequence of negotiations in Geneva (1964-7), Tokyo (1973-9), Uruguay (1986-94) and the current round of negotiations that began at Doha in 2001. Each round of negotiations included separate Ministerial Conferences to evaluate progress. At the Uruguay round of talks, countries reached an agreement to replace GATT with the World Trade Organization. The WTO was founded on 1 January 1995 but China only joined in 2001 and Russia was not granted membership until 2012, after 19 years of negotiation. There are currently 159 member states.

The objective of the WTO and GATT has always been to lower trade barriers to help trade flow as freely as possible because increasing trade is seen as important for economic development. This neoliberal view of global trade is based on the belief that unrestricted flows of goods and services will sharpen competition, motivate innovation and breed success in participating countries.

The WTO has three major functions:

- To host negotiations between member countries
- To remove obstacles to trade
- To resolve conflicts of interest between member countries.

### **WTO Successes**

The WTO has not only enhanced the value and quantity of trade but has also helped in eradicating trade and non-trade barriers. WTO has also broadened the trade governance scope to trade in investment, services and intellectual property. It has emerged as a greater institution than GATT and expanded the agenda by including developmental policies which further helped in settlement of disputes and improved monitoring by introducing the Trade Policy Review and the World Trade Report as well as increased transparency by removing green room negotiations.

WTO also encouraged sustainable trade developments. As trade expands in volume, in the numbers of products traded, and in the numbers of countries and companies trading, there is a greater chance that disputes will arise. The WTO system helps resolve these disputes peacefully and constructively - in reality, a lot of international trade tension is reduced because countries can turn to organizations, in particular the WTO, to settle their trade disputes. The fact that there is a single set of rules applying to all members greatly simplifies the entire trade regime. The WTO cannot claim to make all countries equal. But it does reduce some inequalities,

giving smaller countries more voice, and at the same time freeing the major powers from the complexity of having to negotiate trade agreements with each of their numerous trading partners.

The system shields governments from narrow interests. Governments are better placed to defend themselves against lobbying from narrow interest groups by focusing on trade-offs that are made in the interests of everyone in the economy. It is the world's only international organization that supervises 95% of the world's global trade. The WTO agreements include numerous provisions giving developing and least-developed countries special rights or extra leniency — “special and differential treatment”. Among these are provisions that allow developed countries to treat developing countries more favourably than other WTO members. The General Agreement on Tariffs and Trade (GATT, which deals with trade in goods) has a special section (Part 4) on Trade and Development which includes provisions on the concept of non-reciprocity in trade negotiations between developed and developing countries — when developed countries grant trade concessions to developing countries they should not expect the developing countries to make matching offers in return.

Both GATT and the General Agreement on Trade in Services (GATS) allow developing countries some preferential treatment. The least-developed countries receive extra attention in the WTO. All the WTO agreements recognize that they must benefit from the greatest possible flexibility, and better-off members must make extra efforts to lower import barriers on least-developed countries' exports.

In addition, liberalization under the WTO boosts global GDP and stimulates world demand for developing countries' exports.

### **Critique / Failures**

The foremost failure of WTO lies in the fact that it is highly dominated by some developed nations which questions its democratic nature. In looking at how decisions are made, there is clearly not an equality of decision making power in the WTO, as the 'trading system is still to a large degree a power-based as opposed to a rules-based system'. Whilst there is formally a one-member, one-vote system in the WTO, it has never been used, and as is the case in most international governance institutions, the interests of the powerful dominate. This is clearly problematic; weaker states are in a position where they cannot influence the way in which trade agreements are reached, which can be manifest in several ways, from basic resource issues such as the inability 'to establish permanent delegations in Geneva', which means exclusion from day-to-day administrative WTO activity, through to exclusion from the many "informal" (a euphemism for non-democratic) decision-making sessions that occur within the WTO through 'green room deals' and 'confessionals' which are frequently lacking in transparency.

The WTO's fierce defense of 'Trade Related Intellectual Property' rights (TRIPs)—patents, copyrights and trademarks—comes at the expense of health and human lives. WTO has protected for pharmaceutical companies' 'right to profit' against governments seeking to protect their people's health by providing lifesaving medicines in countries in areas like sub-saharan Africa, where thousands die every day from HIV/AIDS

Free trade is not working for the majority of the world. During the most recent period of rapid growth in global trade and investment (1960 to 1998) inequality worsened both internationally and within countries. WTO rules have hastened these trends by opening up countries to foreign investment and thereby making it easier for production to go where the labor is cheapest and most easily exploited and environmental costs are low .

In developing countries, as many as four out of every five people make their living from the land. But the leading principle in the WTO's Agreement on Agriculture is that market forces should control agricultural policies-rather than a national commitment to guarantee food security and maintain decent family farmer incomes. WTO policies have allowed dumping of heavily subsidized industrially produced food into poor countries, undermining local production and increasing hunger.

The WTO's "Most Favored Nation" provision requires all WTO member countries to treat each other equally and to treat all corporations from these countries equally regardless of their track record. Local policies aimed at rewarding companies who hire local residents, use domestic materials, or adopt environmentally sound practices are essentially illegal under the WTO. Developing countries are prohibited from creating local laws that developed countries once pursued, such as protecting new, domestic industries until they can be internationally competitive.

WTO takes too long to arbitrate and settle disputes - it can take over five years from the initial receipt of a complaint from one member to the final panel ruling. Despite the WTO operating as a multilateral organisation, many member countries and trading blocs favour bilateral discussions with partners or competitors. This is because bilateral negotiations can be fully focussed and relatively quick to complete. The result is that many countries prefer to bypass the WTO process, and deal directly with other countries. The failure of the most recent round of WTO negotiations, the Doha round, is widely regarded as evidence of the inherent problems of multilateral discussions.

For over 30 years, developed countries ignored GATT principles and restricted developing-country exports of textiles and clothing. WTO rules on dumping, safeguards and subsidies have been misused. Liberalization of trade in services has achieved little so far.

**The WTO faces considerable challenges as listed below**

- i. Decision-making within the organization.
- ii. Streamline reforms related to its dispute settlement system.
- iii. Implement development-oriented policies in an effective manner.
- iv. Facilitate global trade liberalization in agriculture and textiles.
- v. Encourage Non-Governmental Organizations or NGOs to become an important part of world trade governance.
- vi. Devise ways to increase staff and resources to ensure effective regulation.

**Does the World Trade Organization help world development?**

Assessing the value of the WTO to world development is always going to depend on which political criteria you adopt. One approach is to ask is whether the world would be a better place without the WTO and its predecessor GATT. If the global economy is going to be dominated by liberal economics and transnational corporations, then a case can be made that an organization such as the WTO is probably needed – even if its achievements are underwhelming. If its record of achieving successful agreements is to be improved it will probably have to abandon its policy of seeking full accord on all policies from all member nations. The process is too unmanageable and is a recipe for deadlock. The latest agreement was actually reached after taking only some of the elements from a much wider agenda that was originally proposed for discussion. The result is a limited agreement that does not impress many people.

Another route for potential progress would be to move from multilateral talks involving all members to 'plurilateral' talks where groups of countries agree to try and reach an accord on liberalizing the rules on a good or service with other countries joining in as it suits them. The idea would be to simplify the attempts to reach agreements and also to offer inducements to countries to participate or get left behind by the countries who have reached agreement. The agreements reached may turn into global agreements or not. The limited nature of the Bali agreement is at least partial recognition that the negotiation process needs to be simplified if the organization is to have any relevance in the future.

Individuals and organizations that see the global dominance of liberal economics as a catastrophe for global development just see WTO as a part of the problem. It provides a structure for the developed and wealthy nations to impose their rules on the weaker and less developed countries. Negotiations are never conducted between equal partners and the dice are loaded in favour of the developed countries. What use is a referee if they only give decisions that favour the home side? Between these two opposing views there are a lot of people who see no alternative to an organization such as WTO but also believe that its continued usefulness to development depends on finding ways of working that are more flexible, less cumbersome and more representative of the views of developing countries.

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