

# **The World Trade Organization**

**Alireza Naghavi**

# The WTO

- **1948: General Agreement on Tariffs and Trade (GATT)  
1995: the World Trade Organization**
- **narrow group of specialists; staff: 530 people**
- **leading symbol of globalization**
- **annual budget: US\$75m (same as US contribution to UN Food and Agriculture Organization)**
- **why important? not the institution but agreements among its 138 members (up from 23 in 1947) that the institution oversees; 2/3 are developing nations**
- **Dispute settlement process backed up by a mechanism providing for compensation and sanctions in case of non-compliance increased effectiveness and different from other international agreements**
- **8 rounds in half a century with more and more participants**

## **Benefits: Agreed Trade Liberalization**

- success of the West: consequent growth in specialization and international competition together with technological advance**
- liberalization has hit China, India, SE Asia, Eastern Europe, Latin America, who dreamt of import substitution and self-sufficiency**
- International economic integration by market-driven trade has worked**
- Some even argued that those against liberalization condemn millions to poverty!**

## **Benefits: The Rule of Law**

- **working system of international law to protect world economy from government with own political interests**
  - **peaceful relation among states by removing cause of conflict**
  - **Effective system of international economic law (potent unlike IMF, OECD, World Bank)**

# The WTO Legal System

- **reciprocal commitments to liberalized trade with worldwide benefits**
- **combination of reciprocity with non-discrimination has created a liberal, law-governed trading system based on cooperation among sovereign states, each acting in its own perceived self-interest**
- **sanction against violation is withdrawal of a concession**
- **aim is to restore situation before agreement was disturbed by one party**
- **a body must determine whether a country's rights have been violated**
- **creating the logic of the dispute settlement mechanism**

# **Pressures from Environmentalists and Trade Unions 1**

- **WTO subservient to demands of multinational business  
higher priority on trade than protection of the environment and social  
welfare.**
- 1. Argue that liberalization without enforced minimum standards generates a  
regulatory race to the bottom**
  - 2. countries cannot restrict harmful imports without scientific support;  
suggestions to instead use precautionary principle**

## **Environmentalists and Trade Unions 2**

**3. Cannot distinguish between products on basis of how made (process and production methods) unless nature of product changed**

**- cannot use trade policy to influence how imported goods produced, i.e. Tuna-Dolphin case**

**- labor standards: cannot enforce minimum standards on exporting developing countries, i.e. how produced = how workers are treated**

**4. Does not accommodate Multilateral Environmental Agreements that control trade in harmful products or use trade sanctions conflict where tariff authorized for use against non-MEA member but overruled by the WTO**

**5. Non-democratic: sovereignty taken from legislators given to bureaucrats in Geneva; not transparent: civil society excluded**

# Response of Member Countries 1

- **balance opposing ideas of mentioned policy activists and business**
- **achieve liberalization for the most part in interests of own economies**
- **Business: International Chamber of Commerce (7000 member companies and business associates):**
  - **governments should not undermine multilateral trade system (MTS) when designing policies to achieve environmental objectives**
  - **ensure policies not misused for protectionist purposes**
  - **trade sanctions not appropriate for labor standards**
  - **these are better advanced by sound economic development based on all countries' participation in the MTS**



## **Response of Member Countries 2**

- **Bill Clinton in Seattle: give globalization a human face; minimum labor standards with use of sanctions (destroyed any chance for new round)**
- **EU: labor standards within WTO but no sanctions; more eager for policies aimed at the environment and health**
- **Developing countries: in opposition to policy activists and governments of industrialized countries over links between environment and labor standards with trade**
  - **loss of their only competitive advantage to compete in the global economy**
  - **assault on their fragile sovereignty**
  - **lack of market access (barriers to export of agricultural products, tariffs impede exports of labor-intensive goods, anti-dumping)**
  - **standards imposed upon them in Uruguay round, intellectual property rights, costly for them: must invest in building, equipment, training**