

World Trade Organization: An Appraisal of the Scholastic Literature

Dr. Noreen Naseer*

Abstract

This work is an appraisal of the scholastic literature on the World Trade Organization. It has always been a challenge for the students of International Relations and Political Economy to find and study scholarly work on subject related to trade and economy. This paper will assist the students and researchers to study classic work on the important subject such as World Trade Organization. It also provides some knowledge on the agreements and policies of the WTO. In the paper, I have discussed three schools of thoughts: the globalists, advocating for integrating the world through WTO the anti-globalists, which are against WTO; and the reformists, advocating for reforms in the economic system and trade organisation to accommodate the needs of developing and least developed states.

Key Words: WTO, Policies, Globalists, Anti-globalists and Reformists

Introduction

To address the world's more than ten trillion dollar trade volume and an increasingly complex and interdependent economic global environment (Davis & Bermeo, 2009), the General Agreement on Trade and Tariff was re-organized into World Trade Organisation (WTO) in 1994 (WTO, 2003). Since the WTO's inception, however, several reservations about its working and agreements were raised by developed (core), developing (semi- peripheral) and least developed states (peripheral) by different scholars and researchers.¹ The subject of trade falls into categories of economics, international and international-political-economic relations, hence a voluminous body of scholarship has engaged with global trade's structure WTO (Spero, 1990).

During the literature review and research work related to the WTO, I have observed that there are three categories of scholars, researchers and

* Lecturer at the Department of Political Science, University of Peshawar

¹ In theoretical framework, Dependency theorists are using semi peripheral and peripheral terms for developing and least developed respectively. Sing, C. C., Robert A. D. *Development of Underdevelopment: Essays in Honour of Andre Gunder Frank*. New York: Sage Publications, 1996, p.p. 24- 40. Held, D., McGrew, A. Goldblatt, D., Perraton, J. *Global Transformations: Politics, Economics and Culture*. US: Stanford University Press, 1999, p.p. 1-31.

practitioners. The globalists, advocating for integrating the world in super structure² such as WTO; anti-globalists are against any trade and economic structures that may prove detrimental to the poor states; reformists are advocating for reforms in the economic system and trade organisation to accommodate the needs of developing and least developed states. Therefore, it is important to discuss and highlight the work of those pioneers and different schools of thought to assist the students in construction of arguments if they are applying these different theoretical frameworks to their respective work.

The classics work of globalists Renato Ruggiero³, Kym Anderson⁴ and C. Fred Bergsten are important to study and understand globalisation. These practitioners and academicians advocate for single world market, barrier-free flow of goods across borders, internationalisation of economy with foreign investments and competition. They all agree that for regulating world's trade, a certain set of rules and regulations are needed to ease and support the liberalized trade of goods, produce and services.

Ruggiero, in his work, discusses that the WTO is more than a neo-liberal trade policy; it is not simply removing trade barriers but is an institution that helps member states and people to strategize reducing these barriers. He also advocates to empower this multilateral trading body with political and security role along with economic functions like European Union (Ruggiero, 2000). His work highlights the phenomenon of interdependence through trade and transformation of international politics and economics. As trade and rules of trading systems intersect with the vast array of issues and policies that range from investment and competition rules, to environmental issues, health standards and development, it is increasingly important to bring such issues under the ambit of WTO. Moreover, the global economy and its new, global non-state actors (IGOs, NGOs and public) are demanding more integrated and comprehensive policy and norm development. Therefore, it is possible through more systemized trade relations and regulations to broaden the WTO's responsibility to address issues such as unemployment, living standards, public good and the global environment (Ruggiero, 2000).

² World trade's base that determines and regulate trade relations of the world community.

³ Renato Ruggiero is a former Director General of WTO, practitioner and instrumental in formation of several multilateral trade agreements.

⁴ Kym Anderson, Professor at the School of Economics and founding director of Centre for International Economic Studies at the University of Adelaide, Australia, he was a panellist in WTO Dispute Settlement case. His work published in V. D. Norman and A. Melchior (eds). *From GATT to WTO. Norwegian Institute for International Affairs.* Oslo 1998.

The advocate of globalisation and one of the pioneer research on WTO is by Kym Anderson, he in his work “From GATT to WTO” discusses four key functions of the multilateral trade arrangement of WTO (Anderson, 1998). He discusses that WTO has devised and enforced set of rules to regulate international trade, provided mechanism to bargain and supervise the trade liberalisation; improved transparency and offered devices to settle trade disputes. Hence, the WTO with all its functions manages rules for the global flow of goods, services, capital, ideas (intellectual property) and states’ trade policies. In addition, for global economic policy coherence and regulation, it has also developed liaisons with the International Monetary Fund and World Bank. In his work, he discusses the fairness of WTO’s rules and the protection of weaker economies’ such as through the most-favoured-nations clause, specifically devised for the developing states, which provides them opportunity of access to the international markets and foreign goods. He further discusses that the developed economies have the political and economic power to exploit liberalized trade for their benefits; however, with the WTO as an institution, their zero-sum practices can be contained. In the past, it was observed that some countries highly taxed their goods (life saving drugs and other healthcare goods/services) or increased duties and tariff, and restricted other states’ access of goods and commodities to their markets. Multilateral trading rules prevent states from misusing these trade policies by binding them in a tariff schedule at specified ceiling levels (Anderson, 1998).

A compact analysis of and future strategization of WTO is done by Fred Bergsten. He discusses in his work “Fifty Years of the GATT/WTO: Lesson from the Past for Strategies for the Future” that WTO is a successful global trade management, transformed from the GATT. Formation of new trade organisation based on liberalisation policy was inevitable as it was essential to avoid relapsing into protectionism and mercantilism. Moreover, large-scale liberalisation is imperative for prosperous global economy and it should be achieved by 2020 through new Millennium Round of WTO. In this process of trade liberalisation, regional blocs play an important role, therefore, instead of confrontation; they need to be accommodated in the system rather challenging the world trade regulations. Money and profit are central to the trading community, hence leadership of economic giants is essential to the WTO. In their observations, international trade and WTO can play an important role in the alleviation of poverty in developing and least developed states. Work Programme adopted in the Doha Ministerial Declaration enhanced market access, designed balanced rules, provided sustainable technical assistance and capacity building programmes for the poor nations (Bergsten, 2000).

Simultaneously, there are apprehensions that along with the benefits from multilateral trade, there is a fear of globalisation, deterioration of environment, wage levels, asymmetrical development and quest for preserving cultural identities. Bhagirath Lal Das, Jagdish Bhagwati, Martin Khor, Amrita Narlikar, Lori Wallach and Patrick Woodall discuss the perceived threats and apprehensions about the WTO and its policies regarding developing and least developed states. Some of these scholars are very critical demanding to abolish all such policies that create economic inequality, while few are demanding reforms within the WTO.

Bhagirath Lal Das, in his work on WTO's agreements, provides information and framework to the developing member states to protect their economies. He suggests reforms in the agriculture, non-agriculture market access, trade facilitation, services, subsidies, antidumping, environment and related agreements in the light of different WTO's rounds taken place for trade policies. In discussing agreement on agriculture, he points out that the present multilateral framework is designed for the developed member states only, through subsidy they support their agriculture and expand exports. Although, agriculture sector being the major source of livelihood and revenue generation in the developing and least developed states, however, this sector is ignored in the poor states and is not treated as a commercial operation for a profit due to huge difference of prices between primary and processed goods.⁵ If the developed members are interested in removing such inequalities, then domestic support and subsidy condition should be abolished for the developed states and allow developing members to strengthen their agriculture trade and regulate prices of primary and processed goods. Annex on Non-Agriculture Market Access (NAMA) is controversial too. The developing states with fragile manufacturing sector will fail to compete with the developed states if NAMA's industrial tariff reduction and liberalisation is implemented. Poor economies need to establish industrial sector that can provide employment to the maximum number, and contribute to the economic development and growth. For competitive trade and liberalisation, it is important that technology be transferred from the developed to developing nations through viable and sustainable foreign investment (Das, 2005).

Jagdish Bhagwati in his work on WTO, observes that the environmental and labour standards issues are the outcome of North-South divide, while the competition policy evolved due to concerns of North vs. North. If interdependence through trade has reduced the fear of war and created opportunities, it has also give birth to the fears and

⁵ Primary products are classified as raw material and agriculture produce, processed are manufactured and industrial goods. In international markets primary goods are cheaper than manufactured ones, thus, create a huge difference of profits.

challenges. After World War II, “South subscribed to malign neglect (dependencia theory) and malign intent (neo-colonisation)” (Bhagwati, 1996). Hence, with the formation of GATT and WTO, North will not change their policies towards South. Issues such as environment and labour standards are echoed in every agreement of WTO while dealing with South’s good and commodities. Social Clause is manipulated to rob the developing and least developed states from comparative advantage; low waged labour in the South is attracting North’s investor, however if the same state use poor labour standards, then her commodities are stalled in the international markets (Bhagwati, 1996).

Martin Khor and Jose Antonio Ocampo analyse WTO in the context of globalisation and consider it is an agenda of the globalists. The capitalist wants to converge and integrate the world into one single market without accommodating the needs of poor nations. In the garb of internationalisation of economic development (raising living standards and ensuring full employment), opening up investment opportunities for the developed states to access developing and least developed states’ cheap labour and raw material. Reciprocal and non-discriminatory arrangements are in fact pushing poor nations towards open markets without protection and huge competition from the developed economies. The imbalances in terms of technology, resources and political lobbying between the developed and developing trading member states are wide and asymmetrical, thus, the Preamble of WTO stands null and void. “Green, Blue and Amber Boxes” permanent agriculture subsidies are simply unilateral and are applied by the industrialised member states as most of the developing and least developed members failed to facilitate their agriculture produce (Khor & Ocampo, 2010).

Amrita Narlikar, in her book “The World Trade Organisation A Very Short Introduction”, assesses WTO through the lenses of negotiation process; interplay between the existing structures and underlying processes; link between economic power asymmetries and international institutions. Her work discusses that how power differences between developed and developing members are playing an important role in the shaping of WTO’s agreements and as a trade, regulating institution affects power discrepancies in various ways. WTO’s agreements appear to be democratic, but its “Green Room” informal meetings make it “English club atmosphere”, ignoring majority in the decision-making regarding trade and related issues. Trade agreements and liberalisation may have advantages but it also lead to disruptive distributive outcomes within the societies by producing losers and achievers. She refers to “marginalisation and peripherality” that is inability of developing economies to shape international organisations to their advantage and emerge victorious in the international economic system. So far, not a

single member state from developing economy has been benefited from prevailing international system (Narlikar, 2005).

Kent Jones in his book, "Who's Afraid of WTO?" begins a discussion with a fear factor created by the WTO amongst workers that it will increase import competition and rob them of jobs, weakens labour standards by encouraging race to the bottom by member states for foreign investment in export-oriented sectors. Environmentalists are scared that WTO in race for more trade and money is trampling environment laws by internationalisation of economies (investing in developing and least developed countries for cheap labour and poor enforcement of laws). Human rights activists are apprehensive of WTO's policies, which they perceive as protector of commercial interests over the basic rights. Many states expressed reservations about the compromising of their sovereignty in terms of reforming their trade and other economic policies to adjust to WTO's terms and conditions. Least developed members complained that they are not ready for liberalisation and competition in open markets. Anti-capitalists are very explicit in denouncing WTO and termed it as a tool of big business and multinational corporations to expand and control world economy. Along with fears expressed against WTO, he also observes that better living standards are required for 3 billion people, while half of the world's population is living in the developing and least developed states. Poor states have failed to provide to their masses, thus an open trading reform system coupled with the investment will help overcome world poverty. Trade is one dimension, among many of global society, therefore it is important that WTO continue to work with trade liberalisation but address the apprehensions of poor with the coherent development policies related to poverty alleviation, investment in infrastructure and capacity building, improved international aid and financial arrangements, better global environment, protecting human rights and labour standards (Jones, 2005).

T. Ademola Oyejide in his work "Low-Income Developing Countries in the GATT/WTO Framework: The First Fifty Years and Beyond" raised a question whether WTO can be of any help to the least developed member states (also how it would be helpful to low income and marginalised tribes and sub-nations in the developing and least developed states). As one can observe that time-bound "special and differential" treatment designed for low income are confusing, however become more targeted and made specific to every agreement. In areas such as agriculture, subsidies and safeguards provisions have been made a threshold for undertaking certain commitments and for preserving market access that is favourable to the developing states. It is confusing, as the categorisation of the states to which several requirements of fewer

obligations apply is not clear, for example in some cases reference is made to “smaller producer” in other instances used “poorer countries”⁶ while in many other references is focused upon “least developed”.⁷ In addition, it is not clear why there is a variation in the transitional time-frame of different Uruguay Round agreements; for example, the least developed member state is allowed 11 years concessionary period to meet TRIPs obligations, 7 years for TRIMs and 5 years for Sanitary and Phytosanitary measures. In addition, technical assistance is offered in some parts of agreements for developing members and in others, beneficiaries are least developed members. The rationale for clarification on categorisation of state on economic health and time-phased transition is to take into account the speed with which low-income countries can alter their trade and payments regimes and build the necessary institutional framework. The Uruguay and Doha Rounds acknowledged that low-income member states failed to participate effectively in the WTO’s process of negotiations due to inadequate human and institutional capacity; hence, it is important that WTO should focus on training and capacity building of poor members to equip them for inclusive process of negotiation at WTO (Oyejide, 2000).

Lori Wallach and Patrick Woodall in “Whose Trade Organisation?: The Comprehensive Guide to the WTO”, extensively discusses the role of WTO pertaining to developing states. It critically discusses the issues of agriculture, raised concerns on job losses, defined non-tariff barriers against poor nations in the form of unsafe food, environment and health laws, race to the bottom in wages, food insecurity and growing global inequality. They in their work raised a question that WTO is not about trade and its regulations but it challenges poor states’ apparatus affecting its sovereignty and fragile economies (Wallach & Woodall, 2003).

Along with developing and least developed states concerns, there is a vast scholarship available on globalisation and its impact on indigenous and tribal people. UN and ILO in different reports and sessions highlight that indigenous and tribal people are discriminated in the political and economic systems. In the process of globalisation, corporations (MNCs) and mining industries have trampled and taken over their culture, environment, traditional agriculture and knowledge (UN, 2004). Erica Irene Daes in her lecture “The Impact of Globalisation on Indigenous Intellectual Property and Cultures” arranged by the Human Rights

⁶ Small producer and poorer countries are classified with per capita income less than US \$1000.

⁷ Least developed states are with long-term structural weaknesses such as gross national income per capita, human asset and economic vulnerability index.

Commission Australia, states concerns, “Indigenous peoples today stand at the crossroads of globalisation. In many ways, indigenous peoples challenge the fundamental assumptions of globalisation. They do not accept the assumption that humanity will benefit from the construction of a world culture of consumerism. Indigenous peoples are acutely aware, from their own tragic experience over the past 500 years that consumer societies grow and prosper at the expense of other peoples and their environment” (Daes, 2004).

Marcus Breen in his work “Business, Society and Impacts on Indigenous Peoples” discusses that the capitalist settlers for expansion and accumulation of lands displaced many of the indigenous tribes and natives from their areas (Breen, 2007). Presently, international trade agreements and investments further pressurised tribal and indigenous people due to their habitat in natural resources rich places. As Macro-articulations are manifested by big corporate entities (state and corporations) that search and seek out sites for exploration of natural resources. Most of the resources, located in politically weak and disorganised indigenous tribal people, are easy target for raw and other material. In process of globalisation, capitalist world is not only accessing their resources but also damaging their environment, stealing their traditional knowledge and in some cases displacing and persecuting them. (Cheney & Roper, 2007).

Doha round of WTO at Cancun in 2003, acknowledges the issues of indigenous and tribal populations however, WTO did not feature them in ministerial negotiations and meetings. Breen in his work, proposes a corporate social responsibility to bring indigenous people in the global system through a proposed model known as Instrumental Policy Behaviour Process. It en-capitulates eight Rs (Repression, Revolt, Reform, Resource, Regulations, Review, Recoup and Reinvent) of indigenous life and people. He defines repression of marginalised people/sub-nations in different forms, some resulted in revolt and violence; hence, instead of repression and violence, public reforms accompanied by investment of resources can produce a cascading effects. With reforms and resources initiatives, relations among state, corporations and indigenous people will be regulated; hence give space to such tribes to recoup and reinvent their life styles and identities in global setup (Breen, 2007).

Oxfam International briefing paper “Getting the Fundamental Right: The early stages of Afghanistan’s WTO accession process” highlights the threats to Afghanistan’s economy if rushed into a decision of joining WTO (Kirkbride, 2007). Although, Sarfraz Khan and Noreen Naseer in their work, “World Trade Organisation’s Policies Affecting Afghan Fragile Economy” discuss WTO’s policies affecting the Afghanistan’s

agriculture and manufacturing sectors. It also charts that WTO's agreements will discriminate trade and violate labour rights of least developed countries like Afghanistan; this whole debate encompassed the border areas too (Khan & Naseer, 2011).

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