
WORLD TRADE ORGANIZATION: KEY ISSUES AND CHALLENGES

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WTO, in the present shape as a main forum for trade organizations and the most effective mechanism for litigating trade disputes, has been hailed as one of the most successful post-World War II international organizations. However, ten years after its successful institutionalization, and with an uncertain outcome for Doha round of negotiations, repeated calls are being made in favour of the needs for rediscovering the path leading to consensus building and transparency-enhancement. Still member countries are having divergent views on Doha Round and are not agreed upon. At present WTO is facing numerous issues and challenges, which needs solution, otherwise it may derail. In the present paper an attempt has been made to know various issues and challenges, which WTO is confronting.

Keywords: WTO, Issues and challenges, Doha Round, GATT, WTO principles, Ministerial Conference.

INTRODUCTION

The World Trade Organization (WTO) is an organization that aims to oversee and liberalize international trade. The organization officially commenced on 1st January 1995 under the Marrakech Agreement and dynamic leadership of its 1st Director General (DG) Arthur Dunkel, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between member countries; it provides a platform for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing member's adherence to WTO agreements. Most of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986-1994). Recently some more issues have been arisen due to Doha Round. The organization is attempting to complete negotiations on the Doha Development Round, which was launched in 2001 with an explicit focus on addressing the needs of developing countries. The conflict between free trade on industrial goods and services but retention of protectionism on farm subsidies to domestic agricultural sector by developing countries and the substantiation of the international liberalization of fair trade on agricultural products by developed countries remain the major obstacles. These points of contention have hindered any progress to launch new WTO negotiations beyond the Doha Development Round. As a result of this bottleneck, there have been an increasing number of bilateral free trade agreements signed. The Doha Round stalemate is often cited to call into question the WTO's ability to serve as a forum for negotiating 21st century trade agreements. Some experts go further and question the organization's overall relevance. At the same time, political and negotiating energy is increasingly focused on plurilateral and regional trade deals.

Today, the most obvious challenge is that the Doha Development Round, which is to further liberalize trade and reform the WTO. After a decade of talks, it still remains to be concluded. The Doha Round is focused on reducing important trade barriers in sectors, such as agriculture, industrial goods and services. This would encourage businesses around the world to specialize in the production of goods and services, achieve economies of scale, and increase their efficiency and productivity, which would allow them to deliver improved and cheaper products to global consumers. As importantly, the Doha Round is particularly focused on providing increased market access to goods and services from developing

countries. In the end, the WTO estimates that the Doha Round could increase global GDP by \$150 billion per year.

However, since the launch of the Doha Round, countries have turned to free trade agreements (FTAs) in order to gain significant trade access in new markets and to explore new trade-related issues that are currently not addressed within the WTO. As more FTAs have been concluded, the central role of the WTO in liberalizing trade has been called into question. In addition, the WTO has played a very limited role in helping address other global issues related to trade, such as food security, climate change and global trade imbalances.

At present WTO's current Director-General, Roberto Azevedo, making every sincere efforts to break the deadlock between developing and developed countries. Till date 8 Ministerial Conferences (highest decision making body) have been taken place and 9th is due in December, 2013, in Bali. At present WTO have 159 members and 25 observer governments. The headquarter of WTO is in Geneva, Switzerland.

PRINCIPLES OF TRADING SYSTEM

The WTO establishes a framework for trade policies; it does not define or specify outcomes i.e. it is concerned with setting the rules of the trade policy games. Five principles are of particular importance in understanding the WTO:

- i. **Non-discrimination:** National treatment implies both foreign and national companies are treated the same and it is unfair to favor domestic companies over foreign ones. Any trade concessions, etc offered to a nation must be offered to others.
- ii. **Reciprocity:** It reflects both a desire to limit the scope of free-riding and a desire to obtain better access to foreign markets. Reciprocal concessions intend to ensure that such gains will materialise.
- iii. **Binding and enforceable commitments:** The tariff commitments made by WTO members in a multilateral trade negotiation and on accession are enumerated in a schedule (list) of concessions. These schedules establish ceiling bindings: a country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade.
- iv. **Transparency:** The WTO members are required to publish their trade regulations indicating its adherence to WTO regulations, which are bindings.

- v. **Safety valves:** In specific circumstances, governments are able to restrict trade. The WTO's agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health. Three types of provision in this direction are (i) For the use of trade measures to attain non-economic objectives; (ii) Ensuring fair competition; members must not use environmental protection measures as a means of disguising protectionist policies; and (iii) Intervention in trade for economic reasons.

CRITICISM OF WTO

It is argued that the WTO does not manage the global economy impartially, but its operation has a systematic bias toward rich countries and multinational corporations, harming smaller countries which have less negotiation power. The WTO has been criticized on the following grounds:

- ❖ Principles are very opaque and not allowing enough public participation, while being very welcoming to large corporations.
- ❖ Some national laws and decisions for safety and protection of people's health, environment and national economies have been deemed as barriers to free trade.
- ❖ Rich countries are able to maintain high import duties and quotas in certain products, blocking imports from developing countries (e.g. garments);
- ❖ The increase in non-tariff barriers such as anti-dumping measures allowed against developing countries;
- ❖ The maintenance of high protection of agriculture in developed countries while developing ones are pressed to open their markets;
- ❖ Many developing countries do not have the capacity to follow the negotiations and participate actively in the Uruguay Round;
- ❖ The TRIPs agreement which limits developing countries from utilizing some technology that originates from abroad in their local systems (e.g. medicines and agricultural products); and
- ❖ Rich countries want to push poor countries to reciprocate equally, in what would therefore actually be an unequal result as it would maintain the unequal terms of trade.

ISSUES AND CHALLENGES RELATED TO WTO

At present numerous issues and challenges are being faced by WTO. These have been explained below:

- ❖ **Completion of Doha Round:** It is the biggest issue and challenge confronting WTO. Successful completion of this round of negotiations will de-escalate tension among member countries and minimizes numbers of other confronting issues and challenges
- ❖ **Tariff peaks and tariff escalation:** Tariff peaks and tariff escalation distort trade and frustrate efforts, particularly by developing countries, to add more value to raw material and agricultural products as part of their efforts to diversify and grow their economies. Tariff peaks and escalation should be eliminated.
- ❖ **Export restrictions:** Just as with tariffs, members have their own reasons for using export restrictions and for not wanting them to be used, there is a need for negotiations, which could be usefully on this issue.
- ❖ **Trade-distorting subsidies:** While subsidies can address market failures, they can also distort trade. Ways must be found of managing tensions between good subsidies and any adverse effects they may have on third parties, as well as avoiding bad subsidies.
- ❖ **International investment:** Like in the area of competition, there is absence of multilateral rules on investment as a gap in cooperation. Current bilateral arrangements and FTAs are not a satisfactory substitute for a comprehensive international investment agreement.
- ❖ **Competition policy:** Members should engage in the quest for a more trade-supportive international competition policy framework, like other international organizations such as UNCTAD, OECD, etc.
- ❖ **Agriculture:** For a variety of reasons, there has long been an asymmetry between agriculture and manufactured goods in the degree of progress on trade opening. This has lessened growth and development opportunities for some countries and agriculture opening must be seriously addressed.
- ❖ **The digital economy:** E-communication has lowered costs, shrunk distance, squeezed time and provided a vast range of opportunities for those who have

access to it. Regulation should not stifle this medium and it is believed that the WTO work programme on e-commerce should be strengthened.

- ❖ **Trade facilitation:** Effective international action on trade facilitation would generate win-win outcomes for the international trading community. It should be strongly negotiated in the 9th Ministerial Conference in Bali in December 2013.
- ❖ **Trade finance:** The absence of trade finance can severely damage trade. WTO should continue to monitor the situation and work with other stakeholders to minimize the impact of scarce or costly trade finance and to help build capacity in developing countries.
- ❖ **Aid for Trade:** Aid for trade should be anchored in the WTO. Over time, aid for trade should develop into investment for trade through a closer relationship between development assistance and private investment.
- ❖ **Currencies and international trade:** While monetary and exchange rate matters are the responsibility of the IMF, it is recognized that there is a link between trade and exchange rates, and urge continued cooperation between the IMF and the WTO in order to avoid the risk.
- ❖ **Climate change and trade:** It is the prime responsibility of environment negotiators to define necessary mitigation actions, and a shared responsibility of the trade and environment communities to ensure compatibility between the two regimes.
- ❖ **Coherence of international economic rules:** There is a need for greater coherence among international policy regimes in order to benefit from synergies among policies that often operate in isolation.
- ❖ **The Dissatisfaction of the developing countries with the WTO system:** The developing countries are among those members who find it most difficult to handle the increased and more complex work load associated with the extension of WTO rules into new economic areas.
- ❖ **Corruption and integrity:** Although the WTO does not have an explicit mandate to address corruption, but it is believed that the WTO can contribute in a variety of ways to purging this scourge, particularly through its work on various dimensions of transparency and on government procurement.

WTO AND INDIA: TRADE ISSUES

India, particularly, has some trade issues, which needs to be addressed. These are:

- ❖ **Trade Facilitation:** This is an area where businesses have the most to gain. The agreement that is being negotiated in Geneva would bind WTO Members to put in place trade facilitation measures that cut red tape and streamline customs procedures. Some progress has been made but important issues where convergence has yet to be achieved include customs cooperation—of which India is a proponent; customs brokers; pre-shipment inspection; consularization; and certain transit issues.
- ❖ **Agriculture:** It consists of the following Issues:-
 - **Food Security Concerns:** The proposal that India has been advancing with its partners countries on public stockholding for food security was presented in reply to food security concerns linked to instability and price volatility, which have come to the forefront particularly since the 2007-08 food crisis. This is an important issue for India, especially at the present time.
 - **Export Competition:** Another element under agriculture is export competition. While members recognize the distorting effects of export measures, there are a number of political sensitivities that need to be addressed. To eliminate all forms of export subsidies there is a need to willingness to work towards an outcome that is acceptable to all Members in Bali (9th Ministerial Conference, December, 2013).
 - **Tariff rate quota administration:** The other agriculture issue is tariff rate quota administration—how imports within quotas are shared among importers.
- ❖ **Development:** On development, the main discussions are on the functioning of a monitoring mechanism for S&D (special and differential treatment) provisions, which would allow countries like India to raise development related concerns. There must be an agreement on some issues for least developed countries (LDCs) that would support their efforts to integrate into world trade, such as duty free quota free market access, rules of origin, cotton and the operationalization of the services waiver. In this regard welcome the steps India has taken to provide duty free access to LDC exports.

In light of above issues and challenges, the following questions must be answered:

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- ✓ Is the WTO still relevant and useful?
 - ✓ Can we still negotiate in the WTO?
 - ✓ If so, what needs to be done to revitalize its negotiating function?
 - ✓ Is the Doha agenda still relevant?
 - ✓ What emerging issues does the multilateral system need to address, and how?
 - ✓ Do we need to the way we negotiate in the WTO?
 - ✓ Should there be another comprehensive Round?
 - ✓ What should be the relationship between the multilateral trading system and preferential agreements?
 - ✓ What is the place of the WTO in the broader context of global governance?
 - ✓ How far the Bali Ministerial Conference in December, 2013 should help answer these questions?

CONCLUSION

To conclude, it can be said that WTO is facing numerous issues and challenges. To achieve its uphill task of free and fair trade among members, successful completion of Doha Round will be a great step in this direction. Thus, there is a need of (i) negotiations among members, as well as their sequencing, in order to achieve progressive, development friendly convergence of their trade regimes; (ii) the gradual alignment of different trade regimes, in particular preferential trade agreements and the multilateral trading system; (iii) deeper coherence between trade and other domestic policies, such as education, skills and innovation; and (iv) requirement of greater coherence between trade rules and policies, norms and standards in other areas of international cooperation.

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