

Rethinking The World Trade Organization (WTO)

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Introduction

The WTO was established in 1994 to replace GATT (the General Agreement on Tariff and Trade), to lower tariffs and open up global trade. The WTO is designed to enhance the original functions of GATT by overseeing the implementation of trade agreements, providing a forum for trade negotiations, giving technical assistance to developing nations, and settling trade disputes through its Dispute Settlement Body.

Criticisms of the WTO

Various groups have been critical about the WTO and the way it operates. An instance in the past in which they succeeded in attracting a great deal of media attention is when they staged protests during the meeting of WTO ministers that was held in Seattle in 1999. One of the many arguments made by the opponents of the WTO is that the organization tends to benefit wealthy countries at the expense of developing countries. Renowned Professor Jagdish Bhagwati for instance, claims that rich-country lobbies have used their economic strength to impose their own agendas on the trade agreements overseen by the WTO. Similarly, one can argue that, although the WTO was designed with the intention of being democratic and increasing free trade for all nations, it has been ineffective in meeting these goals because of the severe inequalities that persist between nations. Developing nations with small economies are vulnerable to being exploited by wealthy developed nations. One political scientist, the late George P. Brockway takes a more critical tone with regards to the problems caused by multinational corporations in industrialized nations using less developed countries as a source of cheap labor. Comparing the so-called free trade practices of today's developed nations with the colonial exploitation of the past, Brockway describes the WTO as being an organization of *neoliberalism*.

Lori Wallach & Patrick Woodall, the authors of "Whose trade organization? A comprehensive guide to the WTO" are from a division of the U.S.-based advocacy group, "Public Citizen" that monitors the World Trade Organization (WTO) and other trade agreements such as the North American Free Trade Agreement (NAFTA). Wallach & Woodall note that the WTO has failed to meet standards for protecting health and safety, the environment, and democratic rights. They further claim that, contrary to the argument made by the WTO's defenders, the organization has even failed to improve the international economy. The developed nations have simply manipulated the international market to their own benefit, which has resulted in making things worse, not better, for the developing nations. In addition, the various major global financial crises that have occurred since 1994 (when the WTO was established) show that the organization

is ineffective in terms of global economic governance. Another critic, John A. Ragosta, highlights the failures of the WTO's Dispute Settlement Body (DSB). Ragosta argues that the DSB has been biased in favor of wealthy nations, and its proceedings lack transparency.

Some even claim that the WTO is actually harmful to developed nations as well as to the developing ones. As Wallach & Woodall point out, multinational corporations have used the opening of trade in order to hire more labor in developing nations, where labor costs are lower as well as where regulations pertaining to the environment and worker health are more lax. Brockway also refers to this problem and notes that it results in millions of jobs being taken away from employees in developed nations. Brockway warns that this practice might eventually have dire consequences for the developed nations that engage in it.

Should the WTO be Abolished?

The more extreme anti-WTO activists have argued that the problems of the organization cannot be fixed. There are three basic arguments of the Public Citizen group as to why the WTO should be eliminated. First, the WTO places commercial interests above all other values (such as human rights and the environment); second, the WTO does not allow individual governments to decide how to handle their own economies; third, the WTO focuses on global trade at the expense of local policies for economic development. There are various other arguments that have been made against the WTO. For example, it intrudes national sovereignty, it is undemocratic in nature, and it lacks transparency. Brockway is among the proponents of bringing an end to the WTO. According to Brockway, the WTO meeting in Seattle in 1999 was nearly perfect because the protests there made the world aware of the organization's problems. Similarly, Wallach & Woodall argue that the WTO is beyond salvation and it needs to be replaced with an alternative system that pays greater attention to democracy, diversity, human rights, and the environment.

In rebuttal, it can be asked: why go through all the trouble of tearing down the existing system and then building a new one from scratch? It makes much more sense to take the existing structure and find ways to rectify it. In addition, there is no guarantee that creating an alternative system would fix the current problems. The infamous George Soros (currency trader/political activist) for example, takes the position that the WTO should be reformed rather than abolished. Soros points out that there is a need for the WTO or an organization that is exactly like it. Soros then argues, the entire world benefit from free trade but free trade inevitably leads to the kinds of the disputes that the WTO was designed to handle. Ultimately, Soros acknowledges that there have been problems with how the WTO has been put to use.

Understandably, arguments have also been made by the WTO in its own defense. They claim, that the organization promotes peace, helps smaller countries with their development goals, contributes to economic growth, and the WTO helps

protect vulnerable governments from the pressure of interest groups. Others, outside the WTO, have also defended the organization. Like Soros, they recognize that there are problems with the WTO as it currently exists. And, like Soros, they also believe that that the organization serves a vital purpose. Instead, they argue that the WTO should not be dismantled; rather, it should be maintained and strengthened. Bhagwati, for example, argues for the preservation of the WTO and claims that its detractors have based their views on fallacies. One such fallacy is that the WTO is useless because it is focused on trade, and trade alone is not enough to bring about national development. As Bhagwati points out, although there is truth to this view, it does not follow that freeing trade is no better than not freeing it. Bhagwati argues further, instead of eliminating the organization, the director general of the WTO should be given the resources needed to do the job.

Some analysts have made specific recommendations for how the WTO could be reformed, without having to abolish it or replace it. One argument is that the legitimacy of the WTO would be greatly enhanced if the developed nations gave more support to the organization's Advisory Center on WTO Law. The purpose of the Advisory Center is to provide developing nations with training and legal assistance. This is important to fairness and effectiveness in the WTO because the organization's rules regarding rights and obligations are complex, and developing nations need to clearly understand their rights and obligations in order to meaningfully participate in the international economy.

The WTO's avowed purpose as a "World Court" would be improved if greater attention were paid to increasing fairness in the operation of the organization's Dispute Settlement Body. For example, developing nations need to be provided with adequate guidance in negotiating the settlement of disputes. This highlights the importance of working to strengthen the functioning of the Advisory Center on WTO Law and for the need for increased transparency in how the DSB is run. The DSB's meetings and documents need to be made available to the public. Meanwhile trade economist Claude E. Barfield of the American Enterprise Institute (AEI) agrees that there is a need for these kinds of reforms, but also points out that positive change will remain impossible unless there is a change in attitude among developing nations as well as developed nations. National leaders need to admit that problems exist and they need to have the willpower to take the necessary steps to implement change.

Conclusion

The WTO should not be abolished. It would be more sensible to fix the existing system. Because of the importance of global trade in the world today, there is a need for a system to settle trade disputes when they arise. Increased participation will be possible if the operations of the WTO are made more transparent and open. With more opportunities for participation, the WTO can become a fair and equal system, satisfactory to all parties in the unified global economy.

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