

Don't Abolish the WTO, Fix It!

Samirul Ariff Othman

Senior Research Officer

Malaysian Institute of Economic Research (MIER)¹

The World Trade Organization (WTO) was established to replace GATT (the General Agreement on Tariff and Trade) 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.

Criticisms of the WTO

Opponents of the WTO allege that the organization tends to benefit wealthy countries at the expense of developing countries. 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.

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.

Some take a more critical tone regarding problems caused by multinational corporations 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, George P. Brockway described the WTO as being *neo-imperialist*.

Others note that the WTO has failed to meet standards for protecting health and safety, the environment, and democratic rights. They argue that, contrary to the argument made

¹ The views and opinions expressed herein are those of the author and do not necessarily reflect the views of MIER.

by the WTO's defenders, the organization has failed. Developed nations have simply manipulated international trade to their own benefit, which has resulted in making things worse, not better, for the developing nations.

Some even claim that the WTO is actually harmful to both developed nations as well as to the developing ones. 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. They have presented three basic arguments 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.

They assert that the WTO intrudes national sovereignty, is undemocratic in nature, and lacks transparency. Therefore WTO is beyond salvation and 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 for example, takes the position that the WTO should be reformed rather than abolished. He points out that there is a need for the WTO or an organization that is exactly like it. He then argues, that the entire world benefits 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.

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 global economy.