

World Trade Organization

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Abstract: *This study argues that trade policies regarding financial services are an important—but typically neglected—determinant of capital flows and financial sector stability. Financial services trade liberalisation which promotes the use of a broad spectrum of financial instruments and allows the presence of foreign financial institutions whilst not unduly restricting their business practices, results in less distorted and less volatile capital flows, and promotes financial sector stability. The study finds significant evidence in favour of this claim through an empirical analysis of GATS commitments in 27 emerging markets. Even countries where the financial system is weak, and where immediate, full-fledged financial sector liberalisation is not advisable, can open up certain types of financial services trade, as such trade strengthens the financial system without provoking destabilising capital flows.*

Keywords: *GATT, GATS, TRIPS, Uruguay Round, Protectionism,*

I. Introduction

The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade. The organization officially commenced on January 1, 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member governments: fol. 9-10 and ratified by their parliaments. of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986–1994).

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. As of June 2012, the future of the Doha Round remains uncertain: the work programme lists 21 subjects in which the original deadline of 1 January 2005 was missed, and the round is still incomplete. The conflict between free trade on industrial goods and services but retention of protectionism on farm subsidies to domestic agricultural sector (requested by developed countries) and the substantiation of the international liberalization of fair trade on agricultural products (requested by developing 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 impasse, there has been an increasing number of bilateral free trade agreements signed. As of July 2012, there are various negotiation groups in the WTO system for the current agricultural trade negotiation which is in the condition of stalemate.

WTO's current Director-General is Pascal Lamy, who leads a staff of over 600 people in Geneva, Switzerland.

OBJECTIVES OF THE STUDY

Objectives of the study are:

- To evaluate the involvement of WTO in disputed countries
- To study the factors affecting the trade
- To create a knowledge base on various matter concerning various National and International Trade Laws and Protocols, and their National and International implications and ramifications.
- Increasing awareness amongst Domestic Industry, business, agriculture, service and other sectors on the impacts of trade laws arising out of WTO agreement and other treaties as member of WTO.
- Exploit all potential provisions of WTO agreement available to the developing nations and advising and counseling the Government of India on all such issues of national importance.
- To assist the Government in negotiating with the International Community in the perspective of the WTO regime and to help strengthen the Indian position in these regards in all possible ways.
- Identify areas of non-fulfillment of the WTO agreement which concern Indian interest and suggest line of action and remedies open for fulfillment of these obligations.

- To develop a base of expertise amongst the members of the Institute on Intellectual Property Rights, TRIPS, Anti-dumping laws, EXIM Policy matters etc., through Seminars, training programs and such other methods as may be considered effective.

II. Review Of Literature:

Bergstrand, Egger (2006); “Trade Costs and Intra-Industry Trade” • The study suggests that the Anderson and van Wincoop (2004) have recently challenged international trade economists to lend much more consideration to the importance of "trade costs" in the pattern of *international* trade as well as international price disparities. Their work suggests that the average implied markup attributable to the costs of international transaction may be approximately as high as 170 percent. Despite this, international trade economists have devoted little attention to this important notion. In a large cross-section of bilateral intra-industry trade shares based on OECD data, we investigate these hypotheses empirically. The findings are strongly in support of our view. This illustrates how - as Anderson and van Wincoop (2004) suggest - a more realistic treatment of transport costs in our standard models of trade could help to put forward new and interesting hypotheses and could become a cornerstone for subsequent empirical research in international economics.

Graz (2004); “Transnational Mercantilism and the Emergent Global Trading Order”. The study suggests that the article has explored the problems encountered by the WTO in the shift from a trade agenda focused on tariff reduction to the harmonisation of domestic regulations in consequence of their impact on international ex-changes. It suggests that the WTO, as the core forum of the global trading order, is now facing a fundamental crisis because of its failure to strike an acceptable balance between market and non-market provisions on a comprehensive scope and world-wide basis. Although the mandate of the so-called 'Doha Development Agenda' includes provisions giving a more balanced interpretation of the embeddedness of international trade in non-trade concerns, it remains unclear whether this slight revision should be seen as anything more than a pragmatic response to the tensions between developed and developing countries, and growing domestic concerns regarding the goals of the multilateral trading system. A number of implications arise from this analysis. First, the theoretical framework contrasts with the conventional analyses of the so-called 'new trade agenda'. Most scholars are concerned with the harmonisation of an ever-increasing range of domestic policies considered to have an impact on trade and the compatibility of these policies with major non-trade concerns such as human rights or the environment. This paper has focused, on the contrary, on the contradictory nature of the global trading order and this impacts on the WTO. The concept of transnational mercantilism makes explicit the problematic relationship between the transnationalisation of capitalism and the economic and social roles of political authorities within a defined space. It is clear that within classical mercantilist thinking the mediations shaping the specific configurations between the economic and political realms of trade policy remain elusive. Put bluntly, Marx may have been wrong in accusing mercantilists of succumbing to the fetishism of commodities, since use value was one of their key concerns; he was right, however, to consider that the criteria for determining use value did not take into account the social relations of production in a capitalist environment.¹⁵ Yet, mercantilist thinking allows us to reconceptualise the politics of trade by reference to three major claims: the articulation between the economic and political spheres, the intimate connection between domestic and international realms, and the embeddedness of trade policy within broader political economy concerns. The concrete manifestations of these categories and their relations are not given but socially and historically produced.

Bastos, Cabral (2007); “The Dynamics of International Trade Patterns”. The study suggests that dynamics of international trade patterns in 20 OECD countries. Using new dynamic measures, we are able to distinguish between three types of trade change: inter-industry flows that contribute to reinforce a country's previous specialization, marginal intra-industry trade, and inter-industry flows that contribute to a decrease in a country's previous specialization (that we name specialization shifts). Descriptive evidence for 20 OECD countries over the 1980-2000 period indicates that specialization shifts represented a significant part of the observed trade expansion, being often the dominant form of inter-industry trade change. Indeed, we find that in many of the countries studied, the widely documented rise in intra-industry trade did not occur mainly because of matched trade expansion but as a result of specialization shifts. This is an important finding as the existence of specialization shifts cannot be explained in the context of static intra-industry trade models with identical countries. Our results also indicate that trade liberalization did not induce a generalized increase in

the degree of international specialization in the OECD. On the contrary, our results suggest that during the periods 1980-1985 and 1995-2000 most of the countries studied have experienced a decrease in the degree of international specialization. The new measures of inter-industry trade dynamics are then used as the dependent variable in regression analysis. Our main findings are as follows.

Firstly, in accordance with the predictions of the new economic geography models, our results indicate that trade liberalization contributed to an increase in the previous specialization of larger economies in industries with increasing returns to scale. Secondly, we find support to the hypothesis that Ricardian effects are an important driver of changes in trade patterns in the OECD. Finally, we find some support to the hypothesis that initial endowments of human capital are an important driver of trade expansion following trade liberalization, but no evidence that changes in trade patterns were explained by changes in factor endowments. Although this may indicate that factor accumulation is not a strong force driving changes in trade patterns in the OECD, it may also simply reflect the fact that changes in endowments only become an important driver of specialization dynamics over relatively long time horizons.

Srivastava(2007). “World Trade Organisation at the Crossroads: The Legitimacy Dimension ”.

The study suggests that All international organisations in contemporary international order must address the crucial issue of legitimacy in their governance structure which depends on a complex set of democratic, normative and functional criteria. The legitimacy crisis of the WTO emanates from a complex mix of factors including democratic deficit, functional inertia, iniquitous fallout of its policies and most important of all, ignoring the concerns of environment, labour, poverty, etc. In other words, the norm of trade liberalisation or the principle of consent with the norm is the most challenging part of WTO's legitimacy, especially in the wider international community. Also challenging is the task of balancing different aspects of legitimacy which WTO has to grapple with on numerous occasions. The Seattle ministerial conference demonstrated a low point in WTO's democratic legitimacy amongst developing countries and also the NGOs. While developing countries felt alienated from the decision-making process due to repeated intransigence on market access issues as also attempts to fuse trade and labour issue, the NGOs felt equally let down by WTO's inability to respond to their concerns of transparency and accountability which contributed significantly to the collapse of the Seattle ministerial conference. As far as NGOs are concerned, the demand of participation and transparency remains largely unresolved.

Kaushik (2008). “Dispute Settlement System at the World Trade Organisation ”.

The study suggests that Developing countries have increasingly started using the WTO dispute settlement system to wrest their market access rights from recalcitrant trading partners. Although there may be a lack of institutional infrastructure, and perhaps capacity, to make the best use of the system, availability of legal advice from AWC and domestic lawyers is increasingly adding comfort to the decision-makers in developing country governments in taking disputes to the WTO. There is now a need for research on actual market access wrested open by developing countries through their legal forays, and whether the assumption that smaller countries are intimidated by the clout of the larger, more powerful countries in taking disputes against them or insisting on enforcement of dispute decisions is correct or not.

Anderson, Martin(2006). “Distortions to World Trade: Impacts on Agricultural Markets and Farm Incomes ”.

The study suggests that The potential gains from global trade reform are nontrivial, including for developing countries, despite its adverse terms of trade impact on many developing countries. Agriculture would enjoy the greatest gains from trade liberalization. Liberalization would cause farm output and farm employment to rise in developing countries relative to the baseline, except in South Asia. The poorest people appear most likely to gain from the global trade liberalization, namely farmers and unskilled laborers in developing countries. Net farm income would be enhanced in all developing country regions other than South Asia, where job growth would be greater in nonfarm activities.

Murshed (2004). “When Will WTO Membership Signal Commitment to Free Trade by A Developing Country ”

The study suggests that The analytical model in this paper has demonstrated that a commitment to freer trade, even if optimal, is fraught with temptations to renege on pre-announced commitments regarding freer trade by sovereign governments. For a developing country the attractiveness of deviations from free trade lie in the potential revenue earnings from protection. In a developed country, trade policy can act as a substitute for traditional counter-cyclical macroeconomic policies in an era when many Northern governments have delegated some discretionary macroeconomic policies away to independent bodies. The developing country's temptations to deviate from free trade may be restrained via membership obligations in a rules based supra-national authority the WTO. But this commitment by

delegation crucially depends on how it perceives its powerful Northern trade partners will behave in connection with its own exports to countries in the North.

If the North continues to be protectionist, as is the case at present, then WTO membership will not be a successful commitment device to freer trade in the South. This result is potentially important in the context of world trade negotiations, and is not just academic curiosity. The North continues to shut out the South from its markets in many important sectors such as textiles, agriculture and other areas where the South is gaining comparative advantage. In many instances, the device of contingent protection is employed. All of this occurs simultaneously as the North compels the South to open its markets to services and accept the TRIPs agreements, which may hamper domestic technological progress in the South. Ultimately, free trade should allow the South to access Northern markets, not just open up its markets to goods and services from the North. Low-income developing countries need to grow, and export promotion is part of the strategy of growth with macroeconomic stability and debt sustainability. Without greater access to Northern markets, the proposed millennium development goals with regard to poverty reduction cannot be reconciled with the needs for macroeconomic stability and debt reduction, which are also demanded by donors. In the final analysis, asymmetric trade policy power relations do not bode well for free trade. Countries in the South have in many instances unilaterally moved towards freer trade. Further developments in this regard will, however, be hampered without an equal commitment by countries in the North to free trade.

Gibb, Michalak (1996). "Regionalism in the World Economy" The study suggests that A striking feature of the international economic order unfolding in the 1990s is the growth of international regionalism. However, regionalism is an extraordinarily diverse and complex phenomenon with a marked level of heterogeneity evident between different trading arrangements. The sheer complexity of the issues involved leaves room for widely differing interpretations of the costs and benefits of multilateralism and regionalism to regional and national economies. There is a growing consensus, supported by the evidence presented at the beginning of this paper, that international regionalism is on the ascendency. The EU, NAFTA and ASEAN+ triad of regional trading arrangements dominate the world economy, accounting for 67 per cent of all world trade. However, the resurgence of regionalism does not necessarily imply a decline in the process of multilateral trade liberalisation. From a neoliberal perspective, the analytical difficulty posed by regionalism is that it can be simultaneously trade-diverting and trade-creating for both participatory and non-participatory states. As a consequence, international regionalism has the potential both to support and erode the multilateral free trade system. In part, this ambiguity reflects both the theoretical and pragmatic difficulties associated with the implementation and evaluation of the practical outcomes of the multilateral and regional approaches to free trade.

The success of the Uruguay round of the GATT talks led a number of academics to suggest that international regionalism does not really constitute an alternative approach to multilateralism (Cable 1994). There is little doubt that the new GATT/WTO regulations, if fully implemented, have the potential to strengthen significantly the multilateral regulatory framework. However, it is a central contention of this paper that the process of multilaterally opening international markets has in fact contributed to the restructuring and 'post-Fordist' pressures on many industrialised economies. The Uruguay Round will therefore enhance further international competitive pressure on industry radically to restructure uncompetitive industries. As a consequence, these developments may actually contribute to the long-term erosion of the multilateral regime of regulation. It is therefore no coincidence that the successful conclusion of the Uruguay Round coincided with increasing calls for protectionism and regionalism in the world economy- (Munchau 1994). The evidence and analysis presented in this paper support our principal argument: that the issue of international regionalism is part of what many commentators believe to be a more fundamental transformation of ' industrial society ' and the ' capitalist system of production '. The nature of this change is best described as a transformation in the mode of production from Fordism to some more flexible system of production, organisation and consumption. We suggest that multilateralism and regionalism are associated with different forms of regulation and the resurgence of regionalism may be the result of this gradual change away from Fordist production methods to more flexible modes of production. Therefore, the rationale underpinning regionalism is regulation at an international scale, attempting to preserve the requirements of flexibility at the same time as protecting domestic markets from outside competition. As a consequence, international regionalism should be recognised as a powerful force fundamentally transforming the world economy and the relationships between the world's principal trading partners.

III. Conclusion:

With the establishment of the world trade organization and its powerful settlement mechanism in 1995, a new forum has been created for addressing international trade disputes. With its increased strength, the dispute settlement body now possesses significant ability to coerce states into abiding by the international agreements they have signed. A key purpose of this international organization is to remove the political aspect from the process in which disputes are resolved. The WTO hopes to replace political maneuvers with the structured dispute settlement process established by WTO agreements

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