World Trade Organization: Future Prospects and Challenges

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Abstract
23 Countries signed the (GATT) on 1947 and it was brought into force in 1948. There was more than one round of negotiations (Geneva 1947, Italy 1949, England 1950 - 1951, Geneva 1955 - 1956, Dillon (Switzerland) 1959 to 1962, Tokyo 1963 -1967, Geneva 1973 -1979, Uruguay1986-1994). The organization was established in 1995. It is one of the youngest international organizations where the WTO is the successor to the General Agreement on Tariffs and Trade (GATT), which was established in the aftermath of World War II. Thus, despite the fact that the WTO is still the young, the multilateral trading system, which was originally set up under GATT reached the age of 50 years. The golden jubilee was celebrated in Geneva on May 19, 1998 in the presence of many leaders of states and governments. The present paper focuses on the history of the W.T.O and the future prospect of the W.T.O. In the paper it founds that reality the WTO of 2020 will probably not be much different than the WTO of 2014. It will not fall into dystopia, nor blossom into a truly progressive international organization.

Keywords: WTO, GATT, Challenges of world trade organization.

Introduction
Over the post-war period, the General Agreement on Tariffs and Trade (GATT) has sponsored eight rounds of trade-policy negotiations. The most recent round of negotiations, which was completed in 1994, resulted in the creation of the World Trade Organization (WTO). The WTO includes the text of GATT, but it also goes further and embodies a set of agreements that build on and extend GATT principles to new areas. The World Trade Organization (WTO) deals with the rules of trade between nations at a global or near-global level. The W.T.O is an international trade organization, having set of rules and principles which were mutually designed and agreed upon to promote international trade in general and to reduce tariff barriers and to remove import restrictions in particular. It can be called as World Trade System. It is a new trade organization with global recognition and succeeded GATT on renewed agreements. The WTO has a new vision with tougher and wider enforcement power to promote international trade.

The WTO is a place where member governments go, to try to sort out the trade problems they face with each other. At its heart are WTO agreements, negotiated and signed by the bulk of the world’s trading nations. But the WTO is not just about liberalizing trade, and in some circumstances its rules support maintaining trade barriers —for example to protect consumers, prevent the spread of disease or protect the environment.

The number of the World Trade Organization WTO members includes 153 states representing more than 90% of the world trade. 31 others are negotiating for membership. Decisions are taken unanimously by the members. The supreme body for making decisions in the WTO is the Ministerial Conference, which holds sessions once every two years at least.

The General Council comes in the second ranked (generally, it includes ambassadors and heads of delegations in Geneva, but Sometimes involves officials sent from the capitals of member states). It holds sessions several times a year in its headquarters in Geneva. The General Council also holds sessions as the Trade Policy Reviewer Body as well as the Disputes Resolving Body. The next level includes the goods council, the services council, and intellectual property council (TRIPS) that report to the general council.
History of World Trade Organization

The World Trade Organization (WTO) and its predecessor, the General Agreement on Tariffs and Trade (GATT) have been enormously successful over the last 50 years at reducing tariff and other trade barriers among an ever-increasing number of countries. The predecessor to the WTO began in 1947 with only 23 members. (23) Countries signed the (GATT) on 1947 and it was brought into force in 1948. There was more than one round of negotiations (Geneva 1947, Italy 1949, England 1950 - 1951, Geneva 1955 -1956, Dillon (Switzerland) 1959 to 1962, Tokyo 1963 - 1967, Geneva 1973 – 1979, Uruguay 1986 – 1994). The organization was established in 1995. It is one of the youngest international organizations where the WTO is the successor to the General Agreement on Tariffs and Trade (GATT), which was established in the aftermath of World War II. Thus, despite the fact that the WTO is still the young, the multilateral trading system, which was originally set up under GATT reached the age of 50 years. The golden jubilee was celebrated in Geneva on May 19, 1998 in the presence of many leaders of states and governments.

The past twenty years witnessed a phenomenal growth in world trade. Merchandise exports have increased in an average of 6% per annum. GATT and the WTO helped to create a strong and prosperous trade system, which contributed to the unprecedented growth. The system evolved through a series of negotiations or trade rounds, which were held under the banner of GATT, the first rounds mainly tackled the reduction of tariffs. The following negotiations included other issues such as countering dumping of markets and procedures that are not related to tariffs. The final round of 1986 to 1994 led to the establishment of the World Trade Organization. The negotiations did not end at this point, some negotiations continued after the end of the Uruguay Round. In February 1997, an agreement was reached regarding the wireless and wire telecommunications services, with the approval of 69 governments on wide range liberation procedures that exceeded those agreed on in the Uruguay Round. 40 governments completed in the same year, successfully, negotiations on trade without special tariffs on information technology products, 70 member states also completed an agreement on financial services that covers more than 95% of banking trade, insurance, and financial information. Members of the World Trade Organization approved during the ministerial meeting held in May 1998 to study the emerging trade issues of global e-commerce. Negotiations began in 2000 on agriculture and services.

Benefits of Accession to the WTO

• The WTO is the only global organization concerned in international laws on trade between nations. The basic mission of the organization is to ensure that trade flows smoothly and freely. Carrying out that mission by the organization will come out with the desired results as follows:

1. The guaranteed results. Consumers and producers both know they could enjoy the continuous supply of goods while ensuring the widest selection of finished products, components and raw materials as well as production services. Thereby, both of them ensure that external markets will remain always open for them. The result achieved from all that is the establishment of a world dominated by economic prosperity and peace.

2. The other result is confidence: the consumers and producers to know that they can be confident that they enjoy guaranteed supply and more choices of finished products, components, raw materials and services they use.

World Trade Rounds: WTO (GATT) negotiations often process multilaterally by packages. That means, WTO members negotiate on several trade-related issues simultaneously in a certain period of time. The agreements, which constitute the WTO rules, are typically reached by consensus among all members. Such a period of negotiations forms a WTO trade round.

A new trade round is often launched when WTO members realize limits of existing rules in protecting their rights and facilitating trades. These limits may become apparent when new problems stem from the
existing trade or when international trade develops into new areas. For example, the early GATT trade rounds dealt mainly with tariff reductions. Consequently, only few tariff barriers are left by the start of Tokyo Round. People then saw the influence of non-tariff barriers against trade and launched the Tokyo Round (1973-1979) to discuss non-tariff measures. Then with the development of trade into service and intellectual property rights, the Uruguay Round from 1986 to 1994 further included issues in services and intellectual property rights. Aware that GATT rules are limited to trade in goods, the Uruguay Round also covered the topic of WTO's creation. The current set of WTO rules was the outcome of Uruguay Round negotiations.

**A Brief History of Past Trade Rounds**

Because tariff was widely used as a tool to protect domestic industries and generate revenue, the early trade rounds of GATT mainly focused on tariff issues. Main trade rounds include:

I. First Round at Geneva, Switzerland, from April to October 1947, where the participants completed 123 negotiations and established 20 schedules containing the tariff reductions and bindings that became an integral part of GATT. 23 countries participated in this round.

II. Second Round at Annecy, France, from April to August 1949, which led to 5,000 tariff concession and the accession of ten more countries. Only thirteen countries participated in this round.

III. Third Round at Torquay, England from September 1950 to April 1951, which lead to 8,700 tariff concessions and accession of four more countries. Thirty eight countries participated in this round.

IV. Fourth Round at Geneva in May 1956, which led to some $2.5 billion worth of tariff reductions. Twenty six countries participated in this round.

V. The Dillon Round from September 1960 to July 1962, this led to about 4,400 tariff concessions covering $4.9 billion of trade. Twenty six countries participated in this round.

VI. Kennedy Round from May 1964 to June 1967, which lead to concessions covering an estimated total value of trade of about $40 billion. Sixty two countries participated in this round.

VII. The Tokyo Round from September 1973 to November 1979 was a transitional period, covering both tariff and non-tariff matters. In tariff issues, it talked about tariff reduction and bindings that covered more than $300 billion of trade in almost 5 years. It also resulted in a number of agreements in such non-tariff issues as subsidy, dumping, government procurement, technical barriers to trade, customs valuation, and import licensing, civil aircraft, dairy and bovine meat. One hundred and two countries participated in this round.

VIII. Uruguay Round from September 20, 1986 to April 15, 1994, further included tariffs and non-tariffs measures, rules, services, intellectual property, dispute settlement, textiles, and agriculture. At the conclusion of the Uruguay Round on April 15, 1994, GATT members signed the Marrakesh Agreement Establishing the WTO in Marrakesh, Morocco. This Agreement defines the scope, functions and structure of the World Trade Organization (WTO). Initially there were 117 participating countries and later on the number went up to 128. The Uruguay round contained negotiations in 15 areas (14 for goods and 1 for services).

**World Trade Agreement**

The agreement establishing the WTO consists of the following which includes the results of Uruguay Round of the Multilateral Trade Negotiations:

- General Agreements on Trade in Services.
- Agreement on Trade -Related Aspects of Intellectual Property Rights (TRIPs)
- Understanding on Rules and Procedures governing the Settlement of Disputes.
- Plurilateral Trade Agreements.
Future prospects and challenges

Two Scenarios for WTO 2020

There are two alternative scenarios for the WTO of 2020. The first is a pessimistic vision; the second an optimistic one. Part III of the paper suggests a third, more realistic, scenario for the WTO’s future.

The Pessimistic Scenario

In a 2020 dystopia, the WTO deteriorates and becomes ineffective. How could this happen? One possibility is that the Doha Round fails to reach fruition, and the pro-trade countries carry out their mutual liberalization efforts in competing fora. The causation could also be reversed: The United States and the European Union might decide to place even more emphasis on the negotiation of bilateral and regional trade agreements and then to give correspondingly less attention to WTO negotiations. Such inattention could lead to WTO negotiation failure.

A further source of pessimism is the possibility that the WTO fails to reform any of its rules and procedures under review. Such a failure could occur as a consequence of the requirement of consensus decision-making. Changes in the WTO Agreement are most likely to occur in the context of broad trade rounds, which have numerous issues in play.

Another damaging scenario would be if a major country pulls out of the WTO and this action leads to reciprocal defection by other countries.

Many commentators have questioned whether WTO dispute settlement would be able to continue along its initial path. Writing in 2001, Claude Barfield, a highly respected analyst of international trade policy, wrote that the judicialized WTO dispute settlement system ‘is substantively and politically unsustainable’ because ‘there is no real consensus among WTO members on many of the complex regulatory issues that the panels and the Appellate Body will be asked to rule upon’. In my own view, the pessimistic path is unlikely to materialize.

The Optimistic Scenario

The second scenario is rosy optimism. Looking back from the time of 2020, one sees how the WTO became a more successful and respected international organization that met four difficult challenges. These challenges were: (1) legitimacy, (2) lawmaking, (3) justice, and (4) a need for more attention to poverty alleviation and development.

1. Legitimacy: The legitimacy crisis faced by the WTO in its early years was overcome through enlightened leadership and the adoption of important constitutional changes. Although free trade remains unpopular in many countries, the diatribes and street protests against the WTO stopped after the creation of the WTO Parliamentary Assembly in 2007. Even without any formal decision-making authority, the participation of parliamentarians facilitated compromises in WTO negotiations and enhanced public trust of the process and its outcomes.

2. Lawmaking: The difficulties in completing the Doha Round convinced governments that the GATT/WTO practice of decision-making by consensus had to be abandoned, as was foreseen when Article IX:1 of the WTO Agreement was written. In seeking to fix the WTO’s slow decision-making, the governments recognized the need for designing a mechanism that accomplished the three goals of (a) ceasing the exclusion of small countries from decision-making, (b) providing a special status for large economies, and (c) preventing paralysis. Eventually, the governments saw the wisdom of establishing a WTO Governing Body based partly on the 1919 model of the International Labour Organization in which a certain number of seats are reserved for states of chief economic importance. The remainders of the seats were allocated through a system in which various geographic and income groupings select a government as a representative. A resort to weighted voting was not employed because governments could not agree on how to do the weighting. Among the factors considered were population, domestic gross domestic product (GDP), and trade as a percentage of GDP.

The establishment of the Governing Body made it much easier for the WTO to build support for difficult decisions. The notorious ‘green room’ practices of decision-making in rump sessions were finally abandoned. To the surprise of many trade cognoscenti, the newly-created WTO Parliamentary Assembly facilitated the process of decision-making in the Governing Body and the Ministerial Conference.

3. Justice: In retrospect, one of the most important procedural changes that occurred was taken in the Doha Round when the DSU was amended in order to permit all WTO member governments to observe the oral hearings held by panels and the Appellate Body.
This reform reflected an acknowledgement that what happens in dispute settlement is a matter of keen interest to all WTO members, not just the disputing parties. The opening of these meetings to governments fostered a greater judicialization of WTO dispute settlement and made it harder for recalcitrant WTO members to resist the logical next step of opening dispute settlement to observation by the public.

4. Poverty Alleviation and Development

Increased trade facilitates poverty alleviation, but liberalization alone is not sufficient. Governments need sufficient policy space to promote manufacturing, technology, training, education, and other prerequisites of national competitiveness. The capacity of poor countries to trade also has to be increased. Although ‘capacity building’ had always been a leitmotif of the Doha Round, it was not until the 2005 Hong Kong Ministerial Conference that WTO governments agreed to a substantive plan for making developing countries more trade-ready.

Conclusion

So much for that futuristic trade fantasy, the reality is that the WTO of 2020 will probably not be much different than the WTO of 2014. It will not fall into dystopia, nor blossom into a truly progressive international organization.

Although I am pessimistic that the WTO will be able to achieve much constitutional change by 2020, I am not pessimistic as to the achievement of more trade liberalization at the national level.

Citizens, interest groups, and governments should continue to promote free trade not only for its benefits to economic welfare but also for its benefits to peace. As we contemplate the WTO of the twenty-first century, we should recall the wisdom of Lester B. Pearson in his Nobel Lecture of 1957, who, looking back and ahead, said:

The higher the common man sets his economic goals in this age of mass democracy, the more essential it is to political stability and peace that we trade as freely as possible together, that we reap those great benefits from the division of labor, of each man and each region doing what he and it can do with greatest relative efficiency, which were the economic basis of nineteenth-century thought and policy.

References