SOCIOCULTURAL GLOBALIZATION – THE ROLE OF THE WTO

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Abstract: This paper aims to discuss the importance of the WTO (World Trade Organization) as successor to the General Agreement on Tariffs and Trade (GATT) as well as the drawbacks of this organization that promotes economic globalization. Advocates of the WTO argue that the definite goal of the WTO is to reduce and to abolish international trade barriers. On the other hand, the WTO treaties have been accused of being partial when it comes to multinational corporations and wealthy nations. The Uruguay Round (1986-1994) that gathered together 123 countries and brought about a reform in the trading system also triggered most of the trade negotiations issues that the WTO focused on. In the end, is this supranational institution just a global power shift towards powerful nations or is it actually a means of settling disputes?

Key words: WTO, multinational, negotiations, disputes, globalization

GATT

The General Agreement on Tariffs and Trade (GATT) was first signed in 1947 with a definite goal of regulating and reducing tariffs on traded goods. Free trade and a common mechanism for resolving trade disputes were reasons good enough for more than 110 countries to sign their membership.

It took about eight rounds of multilateral trade negotiations to the governments in the General Agreement on Tariffs and Trade (GATT) to produce real benefits for all participants after World War II. The GATT agreements opened industrial country markets and contributed importantly to economic growth in developing countries, particularly in Asia and Latin America.

The system worked by consensus, that means no votes on senseless resolutions. At the same time no decisions by majority rule. The consensus rule was not abused. "Developed countries, particularly the United States and the European Community, drove the GATT agenda and negotiations but did not insist on full participation by all countries. In turn, developing countries did not block progress in trade talks—both because the accords posed few demands on them and because they made huge gains from the commitments of the developed countries extended to them on a most-favored nation basis. Moreover, as the weaker partners in the GATT, they benefited significantly from the well-functioning of the multilateral rules-based system."[1]

The GATT functions on the foundation of the WTO trading system. It remains valid although the 1995 Agreement contains an updated version of it to replace the original 1947 one.

The GATT is in fact an international agreement, but it functions perfectly also as a treaty. It is based on the "unconditional most favored nation principle", which results in the enforcement of the conditions applied to the most favored trading nation to all trading nations.

If one country wants to enter GATT, it signs GATT and then negotiates new trade agreements. These sets of agreements are called "rounds". These agreements require that the members reduce certain tariffs (with exceptions and modifications for each country).

[1] Jeffrey J. Schott, Decision-Making in the WTO, March, 2000, p. 3

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Here are the most important rounds: Geneva Round (1948): 23 countries. GATT enters into force; Fourth Round (1956): 26 countries. Tariff reductions; Dillon Round (1962): 26 countries. Tariff reductions; Kennedy Round (1967): 62 countries. Anti-dumping agreement (which, in the United States, was rejected by Congress); Tokyo Round (1979): 102 countries. Reduced non-tariff trade barriers. Improvement and extension of GATT system; Uruguay Round (1993): 123 countries. Created the World Trade Organization to replace the GATT treaty. Reduced tariffs and export subsidies.

International attention is paid to the relationship between trade and environmental policy and to the GATT's influence on international environmental agreements. GATT is seen as limiting or barring trade provisions in environmental agreements. Experts have also called for reform of GATT to accommodate international concern for environmental issues.

The WTO replaced GATT, but the General Agreement still exists. Trade lawyers know that there are distinguishing aspects between GATT 1994, the updated parts of GATT, and GATT 1947, the original agreement which is still the heart of GATT 1994.

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) which is an international treaty that establishes minimum standards for most forms of intellectual property regulation within all member countries of the WTO.

TRIPs specify enforcement procedures, remedies, and dispute resolution procedures which apply equally to all member states. Still, there should be mentioned that for the developing countries a longer period of time in which they are to implement the applicable changes to their national laws is allowed and even necessary.

TRIPs were added to the General Agreement on Tariffs and Trade (GATT) treaty at the end of the Uruguay Round of trade negotiations in 1994. It was a program of intense lobbying by the United States, supported by the EU, Japan and other first world states that led to the appearance of this agreement.

Following the Uruguay round, the GATT became a starting point for the World Trade Organization (WTO). "Because the ratification of TRIPs is compulsory if a country wants to be a WTO member, and wants to obtain easy access to the numerous international markets opened by the WTO, it must enact the very strict intellectual property laws mandated by TRIPs."[2]

WTO

The World Trade Organization was established in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT). The way it enforces its decisions in terms of international trade comprises a series of trade negotiations, or rounds, held under GATT. The first rounds dealt with tariff reductions but later on further negations on other subjects such as anti-dumping and non-tariff measures were the reasons for dealing with various principles and agreements. The WTO (an institutional structure) adopted the GATT principles and agreements. The WTO did not only administer them but at the same time it extended them.

The World Trade Organization (WTO) is an international organization which comprises a large number of agreements. Most of them deal with rules of trade between its member states. The WTO has a definite goal of reducing or abolishing international trade barriers.

WTO headquarters are located in Geneva, Switzerland. On 26 May 2005, Pascal Lamy was elected Director-General, replacing Supachai Panitchpakdi. Nowadays Roberto Azevêdo holds this position. There are 159 members in the organization and all WTO members are required to grant one another most favored nation status, such that (with some

[2] http://en.wikipedia.org/wiki/TRIPS_Agreement

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exceptions) trade concessions granted by a WTO member to another country must be granted to all WTO members.

In the late 1990s, the WTO became a major target of protests by the anti-globalization movement. The WTO promotes economic globalization and free trade, which some consider problematic. WTO treaties have been accused of being partial when it comes to multinational corporations and wealthy nations. At the same time, the "big three" members - the United States, the European Union, and Japan - have been accused of using the WTO to exert influence over less powerful member states.

The Functions of the WTO. The WTO has two basic functions: as a negotiating forum for discussions of new and existing trade rules, and as a trade dispute settlement body, as stated in Article III of the Agreement establishing the World Trade Organization: "1.The WTO shall facilitate the implementation, administration, operation, and further the objectives, of this Agreement and of the Multilateral Trade Agreements, and shall also provide the framework for the implementation, administration and operation of the Plurilateral Trade Agreements".[3]

The Scope of the WTO. Article II states the scope of the WTO to "provide the common institutional framework for the conduct of trade relations among its Members […]"

Negotiations. Many WTO decisions, such as adopting agreements are determined by consensus, which, in fact, does not imply unanimity, but it encourages efforts to find the most widely acceptable decision. The problems of reaching the final decision are related to time spent on debating, many rounds of negotiation leading to a consensus decision, and the aspect of language interpretation.

The WTO began the Doha round of negotiations, at the Fourth Ministerial Conference in Doha, Qatar in November 2001. After many discussions, agreement has not been reached, despite continuing talks in Cancun, Geneva, and Paris.

Like most other international organizations, the WTO has no significant power to enforce the decisions it makes when a member brings a complaint against another. If decisions of its Dispute Settlement Body are not complied with, it may authorize "retaliatory measures" on the part of the complaining member, but no other enforcement action is available.

The WTO had 76 members at its creation. A further 72 members joined over the following ten years, and now there are 159 members and 25 observer governments. Iran first applied to join the WTO in 1996, but the United States, accusing Tehran of supporting international terrorism, refused its application 22 times. The Islamic Republic of Iran submitted its Memorandum on the Foreign Trade Regime in November 2009. Russia, having first applied to join GATT in 1993, was approved of membership in December 2011.

The Structure of the WTO. The highest authority of the WTO is the Ministerial Conference, made up of representatives of all WTO members. The Ministerial Conference is obliged to meet at least every two years in order to take various decisions on matters under any of the multilateral trade agreements.

As Article IV states the whole activity of the WTO is given to a number of subsidiary bodies; the main one is the General Council (with its two forms, one being the Dispute Settlement Body, to oversee the dispute settlement procedures and the other the Trade Policy Review Body to conduct regular reviews of the trade policies of individual WTO members) also composed of all WTO members, which is required to report to the Ministerial Conference. "There shall be a General Council composed of representatives of all the Members, which shall meet as appropriate. In the intervals between meetings of the

[3] http://www.hawaii.edu/intlrel/Resources/gpu/WTOagrmt.html

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Ministerial Conference, its functions shall be conducted by the General Council. The General Council shall also carry out the functions assigned to it by this Agreement."[4]

The General Council which oversees the implementation and functioning of all the agreements delegates its responsibility to three other major bodies –the Councils for Trade in Goods, Trade in Services and Trade-Related Aspects of Intellectual Property. The latter two Councils have responsibility for their respective WTO agreements and may establish their own subsidiary bodies as necessary. "The Ministerial Conference shall establish a Committee on Trade and Development, a Committee on Balance-of-Payments Restrictions and a Committee on Budget, Finance and Administration, which shall carry out the functions assigned to them by this Agreement and by the Multilateral Trade Agreements, and any additional functions assigned to them by the General Council, and may establish such additional Committees with such functions as it may deem appropriate."[5]

The Committee on Trade and Development has an activity concerning the developing countries and, especially, to the "least-developed" among them. The Committee on Balance of Payments deals with consultations between WTO members and countries which take trade-restrictive measures, under Articles XII and XVIII of GATT, in order to solve the payment difficulties. Issues relating to WTO's budget are dealt with by a Committee on Budget.

The Economic Groupings. Most countries have a diplomatic mission in Geneva, sometimes headed by a special Ambassador to the WTO, whose officials attend meetings of the many negotiating and administrative bodies at WTO headquarters. "As a result of regional economic integration – in the form of customs unions and free trade areas – and looser political and geographic arrangements, some groups of countries act together in the WTO with a single spokesperson in meetings and negotiations."[6]

The European Union and its 28 member states is a WTO member in its own right. The EU is a customs union with a single external trade policy and tariff. While the member states coordinate their position in Brussels and Geneva, the European Commission alone speaks for the EU at almost all WTO meetings. There are other groupings that have unified statements, among them there should be mentioned the Latin American Economic System (SELA) and the African, Caribbean and pacific Group (ACP).

How the WTO Takes Decisions. The way in which decisions are made is not by voting but by consensus. In this matter, WTO continues the GATT's long tradition. This procedure allows members to ensure their interests are properly considered. If the consensus is not possible, the WTO agreement allows for voting. In such circumstances, decisions are taken by a majority of the votes cast and on the basis of "one country, one vote".

There are four specific voting situations stipulated in the WTO Agreement.

1. A majority of three-quarters of WTO members can vote to adopt an interpretation of any of the multilateral trade agreements.
2. By the same majority, the Ministerial Conference may decide to waive an obligation imposed on a particular member by a multilateral agreement.
3. Decisions to amend provisions of the multilateral agreement can be adopted through approval either by all members or by a two-thirds majority depending on the nature of the provision concerned.
4. A decision to admit a new member is taken by a two-thirds majority in the Ministerial Conference.

[4] http://www.hawaii.edu/intlrel/Resources/gpu/WTOagrmt.html

[5] http://www.hawaii.edu/intlrel/Resources/gpu/WTOagrmt.html

[6] http://www2.econ.iastate.edu/classes/econ355/choi/wtoworks.htm

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How Countries Join the WTO. "Most WTO members are previously GATT members who have signed the Final Act of the Uruguay Round and concluded their market access negotiations on goods and services by the Marrakech meeting in 1994. A few countries which joined the GATT later in 1994 signed the Final Act and concluded negotiations on their goods and service schedules also became early WTO members. Other countries that had participated in the Uruguay Round negotiations concluded their domestic ratification procedures only during the course of 1995, and became members thereafter."[7] Still, other states that enjoy full autonomy regarding their trade policies may accede to the WTO on terms agreed with WTO members.

The WTO Secretariat and Budget. The WTO Secretariat is located in Geneva with a total staff of around 639 persons and is headed by its Director-General and its responsibilities include the servicing of WTO delegate bodies, providing technical support to developing countries, and especially the least-developed countries. "The responsibilities of the Director-General and the staff of the Secretariat shall be exclusively international in character. In the discharge of their duties, the Director-General and the staff of the Secretariat shall not seek or accept instructions from any government or any other authority external to the WTO. They shall refrain from any action which might adversely reflect on their position as international officials."[8]

Much of the Secretariat's work is concerned with accession negotiations for new members and providing advice to governments considering membership.

The WTO budget is around 197 million Swiss francs with individual contributions calculated on the basis of shares in the total trade conducted by WTO members. Part of the WTO budget also goes to the International Trade Centre.

Assisting Developing and Transition Economies. Developing countries represent 97 of the total GATT membership of 128 at the end of 1994. These countries were expected to play an increasingly important role in the WTO as the Organization's membership expands.

The WTO Secretariat continued GATT's program of training courses in Geneva twice a year for officials of developing countries. Since 1955 and up to the end of 1994, the courses have been attended by nearly 1400 trade officials from 125 countries and 10 regional organizations. Since 1991, special courses have been held each year in Geneva for officials from the former centrally-planned economies in transition to market economies.

The WTO's Part in Global Economic Policy-making. WTO cooperates with the International Monetary Fund, the World Bank and other multilateral institutions to achieve greater coherence in global economic policy-making. A separate Ministerial Declaration was adopted at the Marrakech Ministerial Meeting in April 1994 in order to underscore this objective.

The Importance of National Trade Policies. Paying very close attention to national trade policies is a fundamentally important activity running throughout the work of the WTO. At the centre of this work is the Trade Policy Review Mechanism (TPRM). "The objectives of the TPRM are, through regular monitoring, to increase the transparency and understanding of trade policies and practices, to improve the quality of public and intergovernmental debate on the issues, and to enable a multilateral assessment of the effects of policies on the world trading system. In this way member governments are encouraged to follow more closely the WTO rules and disciplines and to fulfill their commitments. Reviews are conducted on a regular, periodic basis. The four biggest traders - the European Union, the United States, Japan and Canada - are examined approximately once every two

[7] http://www2.econ.iastate.edu/classes/econ355/choi/wtoworks.htm
[8] http://www.hawaii.edu/intlrel/Resources/gpu/WTOagrmt.html

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years. The next 16 countries in terms of their share of world trade are reviewed every four years; and the remaining countries every six years, with the possibility of a longer period for the least-developed countries."[9] These reviews are conducted in the Trade Policy Review Body (TPRB) for which two documents are very important: a policy statement prepared by the government under review, and a detailed report prepared independently by the WTO Secretariat. These two reports, together with the proceedings of the TPRB are published after the review meeting.

Important Dates in the History of WTO

- **1986-1994** - Uruguay Round of GATT negotiations ending with the Marrakech Agreement that established the WTO.
- **January 1, 1995** - The WTO was founded.
- **December 9 - December 13, 1996** - The inaugural ministerial conference in Singapore. Conflicts between largely developed and developing economies appeared during this conference over four issues initiated by this conference, which led to them being collectively referred to as the "Singapore issues".
- **May 18 - May 20, 1998** - 2nd ministerial conference in Geneva, Switzerland.
- **September 1, 1999** - Mike Moore became director-general. The post was contested; eventually a compromise was reached with Mike Moore and Supachai Panitchpakdi taking half each of a six-year term.
- **November 30 - December 3, 1999** - 3rd ministerial conference in Seattle, Washington, USA. The conference ended with massive demonstrations.
- **November 9 - November 13, 2001** - 4th ministerial conference in Doha, Qatar begins the Doha round. The Doha Declaration is issued.
- **December 11, 2001** - The People's Republic of China joined the WTO after 15 years of negotiations (the longest in GATT history).
- **September 1, 2002** - Supachai Panitchpakdi became director-general.
- **September 10 - September 14, 2003** - 5th ministerial conference in Cancun, Mexico aims at forging agreement on the Doha round. An alliance of 22 southern states, the G20 (led by India, China and Brazil), resisted demands from the North for agreements on the so-called "Singapore issues".
- **May 2005** - The group of five (US, Australia, the EU, Brazil and India) fail to agree over chicken, beef and rice. The WTO agrees to start discussions over membership with Iran.
- **September 2005** – Pascal Lamy (former European Commissioner for Trade) becomes WTO director-general.
- **November 11, 2005** – Saudi Arabia's terms of Accession are accepted by the WTO General Council
- **December 13, 2005** – **December 18, 2005 –** World trade talks in Hong Kong
- **January 11, 2007 –** Vietnam is the 150th WTO member state.
- **May 2013 -** Roberto Azevêdo becomes WTO director-general.

The Doha Declaration. The World Trade Organization's forth Ministerial Conference in Doha (Qatar) in November 2001 provided the background for negotiations on a range of subjects. Most of the 21 subjects listed in the Doha Declaration involve negotiations; others include actions under "implementation", analysis and monitoring. These issues regard implementation, agriculture, services, market access, investment, competition, trade facilitation, anti-dumping, dispute settlements, trade, debt and finance, and others.

[9] http://www.sedi.oas.org/DTTC/TRADE/PUB/cp061096/english/foreword.asp

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The discussions of the Conference can be summarized in three main ideas:

1. A new round of trade negotiations was launched, that is the Doha Development Agenda (DDA) which included trade liberalization.
2. The developing countries should be helped to implement the existing WTO agreements.
3. The TRIPS (Trade Related Aspects of Intellectual Property Rights) Agreement should be interpreted in a way that would ensure the Members' rights under TRIPS to take actions to protect public health.

The word implementation needs more explanations. The word refers to the problems which are raised mainly by the developing countries concerning the implementation of the current WTO Agreements (the agreements which resulted from the Uruguay Round negotiations.) This problem is dealt with by the ministers who agreed to adopt around 50 decisions stating the exact obligations of the governments from the member developing countries. These decisions are related to issues including agriculture, subsidies, textiles and clothing, technical barriers to trade, trade-related investment measures and rules of origin.

Further on, only the issues concerning trade will be discussed briefly. A subject was related to relationship between trade and investment, which, in fact, is a "Singapore issue" (a working group set by the 1996 Singapore Ministerial Conference). Negotiations for this problem were not started immediately, but continuing activity in working group was established with defined time: the 5th Ministerial Conference, 2003. In the period up to the 2003 Ministerial Conference, the declaration instructed the working group to focus on transparency, non-discrimination, development provisions, consultation and dispute settlement.

The interaction between trade and competition policy was another "Singapore issue". Again work was not started immediately, but till the deadline, the working group had to focus on clarifying the ways to handle voluntary cooperation on competition policy among WTO member governments and to support the reinforcement of competition institutions in developing countries.

Trade facilitation, a "Singapore issue", was to be solved until the Fifth Ministerial Conference in 2003. "Shall review and as appropriate, clarify and improve relevant aspects of Articles V ('Freedom of Transit'), VIII ('Fees and Formalities Connect with Importation and Exportation') and X ('Publication and Administration of Trade Regulations') of the GATT and identify the trade facilitation needs and priorities of Members, in particular developing and least-developed countries."[10]

EU had some priorities in the Doha Development Agenda, and the most important issues were the high tariffs reducing, the ability to bring considerable market opportunities for business as well as benefits to consumers world-wide.

The Uruguay Round. The Uruguay Round had gathered together 123 countries, which in the end brought about the biggest reform of the world's trading system since the founding of GATT. This round had some rapid results that should be mentioned. Firstly, the participants had agreed on some cuts in import duties on tropical products. Secondly, they had revised the rules for settling disputes, with some measures implemented on the spot. "And they called for regular reports on GATT members' trade policies, a move considered important for making trade regimes transparent around the world."[11]

In December 1988, ministers met unsuccessfully again in Montreal, Canada, to assess and to clarify the agenda.

[10] http://ec.europa.eu/taxation_customs/customs/policy_issues/trade_falicitation/index_en.htm
[11] http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm

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In November 1992, the US and EU solved most of their differences on agriculture in a deal known as the "Blair House accord". By July 1993 the "Quad" (US, EU, Japan and Canada) announced progress in negotiations on tariffs and market access.

The WTO Ministerial Meeting held in September 2003 in Cancun (Mexico) was imagined to be a decisive point in the fulfillment of the Doha Development Agenda. The key subjects were agriculture and agricultural market access. However, the meeting was not a success.

The only valid solution for the EU is to continue to build alliances and work together with a broad range of both developed and developing countries to ensure a rapid result of the Doha Development Agenda.

Advantages and disadvantages of the WTO. As an international organization, the WTO has a great impact on people's lives, so there is a constant feeling of pressure towards transparency, knowing the fact that data flows nowadays quickly due to information revolution. Globalization benefits many people, that it's not the issue discussed in this paper, but is the WTO an organization with more advantages than disadvantages? Among advantages, there should be mentioned:

- Open discussion to differences between trade issues
- Transparency by means of a trade rules between countries
- Balancing the trade between countries as well as the trade opportunities
- By helping trade flow, the WTO helps promote peace
- Trade tension between countries is reduced and constructively handled and solved
- Increased choice of products
- Economic growth stimulated by trade

The disadvantages that should be kept in mind are:

- Industrialized countries benefit more than poor countries
- Developing countries are not allowed to participate

In conclusion, the WTO is an organization that deals with agreements, that is with a settlement between partners who know basically the benefits and drawbacks of any trade negotiation. The key to a perfect, or at least, good functioning of the WTO, as a globalization instrument, is to preserve the national identity of each member (as much as possible) and to maintain an equidistant approach to each and every country, no matter the financial background which may tend sometimes to influence the measures undertaken.

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