

World Trade Organization

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Origins and Main Features

The World Trade Organization (WTO) is a multilateral trade organization that, at least partially, governs trade relations between its member states. The WTO (2011a) proclaims that its “overriding objective is to help trade flow smoothly, freely, fairly and predictably.” The WTO is a “treaty-based” organization – it has been constituted through an agreed, legally binding treaty made up of more than 30 articles, along with additional commitments by some members in specific areas. At present, 153 states are members of the WTO, which collectively make up over 97 percent of all trade worldwide (WTO 2011b). Together, the WTO treaty specifies the rights and obligations of its member states. To become a member of the WTO, a state must treat the agreement as a “single undertaking.” Members cannot choose *à la carte* which agreements – for example, regarding tariffs, or trade in services or intellectual property – they want to accede to and which they do not. Instead, they must take on the obligations of the agreement *in toto*. The WTO is one of the most consequential governance institutions in the world, a lodestar of political debate about globalization (*see* GLOBALIZATION), attracting increased interest from moral and political philosophers in recent years (James 2006; Moellendorf 2005; Risse 2007; Brock 2009).

The WTO came into existence in 1995 at the Marrakech Agreement, itself the culmination of the Uruguay Round trade negotiations, which lasted from 1986 to 1994. The Uruguay Round negotiations were, in turn, carried out against the framework for multilateral trade established in the 1947 General Agreement on

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Trade and Tariffs (GATT 1994), which had been subject to some modifications through successive rounds of earlier negotiations. Indeed, a great many of the cornerstone articles of the WTO Treaty and the principles animating it are inherited from the GATT. Yet, although there are continuities between the GATT and the WTO, the Marrakech Agreement marked a very significant change in the governance of international trade. First, the WTO represented the first truly global organization to be charged with regulating international trade. This organization allowed for greater juridification of trade norms and a greater capacity to enforce them. New arrangements incorporated into the WTO included a Dispute Settlement Body (DSB) that was charged with, among other things, making authoritative rulings on trade disputes between members, and a new mechanism for monitoring the trade policies of member states (Trade Policy Review Mechanism). Second, the domain of economic activity covered by the WTO agreement was much larger than that of previous trade agreements. In particular, it included areas that had not previously been regulated as matters of trade such as rules governing investment (TRIMS), intellectual property (TRIPS) (*see* INTELLECTUAL PROPERTY), and services (GATS). Third, the WTO incorporated many countries in the multilateral trading order that had previously been at its margins. While the GATT was constituted by a relatively small group of similarly situated and like-minded countries (advanced industrialized countries), membership of the WTO is far more diverse (a significant majority of its members are states from the developing world). Initiated in 2001, the Doha trade round negotiations are intended to deliver on a range of issues important to poor countries, but remain deadlocked at the time of writing. This failure of progress at the WTO has led to a proliferation of “preferential” (bilateral and regional) trade agreements that arguably threaten to undermine its value and importance for governing global trade (Lamy 2006; Bhagwati 2008).

Principles

Although the WTO treaty is complex – over 30,000 pages of text in all – it is animated by a few core principles. The first principle is nondiscrimination. This is expressed in its so-called Most Favored Nation (MFN) and National Treatment clauses. MFN requires that all benefits or advantages conferred by one member of the WTO to another regarding trade be automatically extended to all other members (WTO 2011c). Effectively, this is a commitment to avoid preferential trading blocs (Bhagwati 2008). National Treatment requires that goods and services traded by locals and foreigners be treated equally once they have entered the local market. The second is reciprocity: member states are expected to make concessions to each other in such a way as to balance out the exchange of benefits provided through trade. The third is liberalization: the direction of trade policies of member states should be to remove barriers to free trade so as to enable them to capture potential gains from trade. A fourth principle – in some ways in tension with the first three – is that of special and differential treatment for developing countries. This principle calls for measures such as support for poorer countries so that they can participate

more effectively in the WTO, enabling them to take better advantage of trading opportunities, and flexibility in implementing various accords (especially those requiring regulatory and administrative reforms) (Stiglitz and Charlton 2006).

The main rationale of the WTO has been to provide reliable conditions of mutual market access to countries engaged in international trade through a transparent rule-based system with impartial adjudication of trade disputes. Perhaps most importantly, the rationale for binding of tariff rates (i.e., the placing of a ceiling on tariffs) by the WTO is that, left to themselves, countries will engage in a damaging competition to maximize access to markets of their own producers, which will result in a collectively self-defeating outcome. So it is argued that a rule-based multilateral trading system in which countries' freedom to raise tariffs unilaterally is eliminated is in the interests of all.

Key Debates

Moral concerns about the WTO have fallen into two main categories. The first category relates to matters of process, the second to matters of substance.

Process concerns

Critics allege that the WTO was established and continues to operate in ways that involve the morally objectionable use of power. Member states of the WTO differ radically in their wealth and power, so it is unsurprising that better-endowed countries can exercise a great deal of influence over the content of the treaty and its evolution. Critics allege that while many issues of special concern to wealthy countries (e.g., intellectual property, rules in investment, and trade in services) were given ample expression in the Marrakech agreement, concerns of most interest to developing countries (agriculture, textiles) were marginalized, and subsequent progress on them has been labored and slow (Stiglitz and Charlton 2006; Oxfam 2002). Some critics claim that the WTO treaty itself arose from a process involving bullying, coercion, or various forms of deception (Stiglitz 2002; Ryan 1998). After its creation, it is claimed that a "democratic deficit" in the WTO has persisted (*see DEMOCRACY*). Many WTO members are unable to influence, to any meaningful degree, the shaping and application of its rules. Indeed, smaller and poorer countries often struggle to secure representation at meetings, and are marginalized in WTO negotiations (Singer 2002). Furthermore, since many issues require unanimous voting, widely supported policies may not be approved in the face of a few intransigent negotiations. It is also argued that there is a second democratic deficit, in that the trade policies of governments (both wealthy and poor) tend to be driven by elites and corporate interests within these countries, and thus are insufficiently responsive to the needs of the mass of their people (Hensman 2011; Wallach and Sforza 1999). Another charge is that, even when such overt forms of power have been absent, it has exerted "network power." While the treaty is in many ways unfair, countries nevertheless voluntarily accede to it because it offers benefits relative to

nonmembership – members enjoy nondiscriminatory access to each other's markets. But they make these choices because they are locked into unfavorable structural conditions that deprive them of meaningful opportunities to bring about a more equitable system of global trade (Grewal 2003, 2008).

Substance

The WTO has been faulted for its harmful impact on human and (and nonhuman) welfare (*see* GLOBAL DISTRIBUTIVE JUSTICE) and its restrictions on the ability of countries to use trade policy in a flexible manner that promotes their development (Chang 2002; Rodrik 2007). It is argued that, by permitting rich country import tariffs and subsidies to domestic agricultural producers, the WTO exacerbates or increases poverty in poor countries with competing but unprotected industries. The TRIPS treaty has been accused of increasing the cost of essential medicines (*see* GLOBAL HEALTH ETHICS), thereby worsening the health protection of less-advantaged people throughout the world (Pogge 2005). Finally, some have claimed that the WTO treaty creates perverse incentives with respect to the protection and promotion of environmental and labor standards. The reason is that, once tariffs are bound, countries have available to them only two major instruments for increasing their own producers' access to markets, namely adjustments to labor and environmental standards. In particular, by lowering (or failing to raise) their own labor and environmental standards, countries can reduce the costs for their producers and increase these producers' competitive advantage. As a result, incentives for a self-defeating "regulatory chill" which puts downward pressure on labor standards are created by the prohibition on a self-defeating "beggar-thy-neighbor" policy of competitive inflation of tariffs (Bagwell and Staiger 2001). As a result, the gains generated through a rule-based system of international trade in the form of the WTO may only be achievable alongside minimal labor standards by extending the scope of the system to incorporate labor standards, for example, by requiring the promotion of labor and environmental standards as a condition for participating fully in the world trading system (Barry and Reddy 2008).

See also: DEMOCRACY; GLOBAL DISTRIBUTIVE JUSTICE; GLOBAL HEALTH ETHICS; GLOBALIZATION; INTELLECTUAL PROPERTY

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