

World Trade Organization



Assessment Objectives

Specific Expectations

AO2	Explain the objectives, functions and factors affecting the influence of the World Trade Organization (WTO) including difficulties in reaching agreement and members' unequal bargaining power.
-----	---

WTO Functions and Objectives

- **World Trade Organization (WTO)** an international organization that provides the institutional and legal framework for the trading system that exists between member nations worldwide.
 - ▶ It has the following objectives and functions:
 1. **Administers WTO trade agreements**
 - Helps in the implementation and administration of international trade agreements.
 2. **Provides a forum for trade negotiations**
 - Provides a forum for members to discuss their trade problems and negotiate trade agreements on how to liberalize trade.
 3. **Handles trade disputes**
 - When members disagree on trade issues, the WTO makes decisions to resolve the differences on the basis of the legal foundations of the trade agreements.

4. Monitors national trade policies

- The WTO subscribes to the policy of trade without discrimination where the most preferential tariff offered to any member country can be claimed by another member nation.
- Carries out periodic review of its members' national trade policies.
- Members are required to notify the WTO of any changes in policy.
- The WTO also examines new trading bloc arrangements

5. Provide technical assistance to developing nations

- Provides assistance in the form of training of government officials as well as journalists, academia and private sector representatives in developing countries on trade related issues.

6. Facilitates cooperation with other international organizations

- The WTO co-operates with other international organizations (such as the World Bank and International Monetary Fund), in order to facilitate co-ordination of global policies.

WTO: Criticisms and Challenges

- ▶ The WTO claims to offer benefits to the global trading system arising from its contribution to the development of free trade, the establishment of an effective system of trading rules and a mechanism to resolve trade disputes between countries.

1. **Accused of promoting trade rules unfavourable to ELDCs**

- Developed countries received greater tariff reductions than developing ones
- Protection of intellectual property increased the costs of acquiring new technology by developing countries.
- Practice of making increased use of non-tariff and hidden barriers against developing country exports has not been sufficiently addressed.

2. **Unable to reach an agreement on agricultural protection**

- Developed countries have long been protecting their farmers through production and export subsidies, with numerous negative effects on farmers and economies of developing countries

3. Accused of not distinguishing between developed & ELDCs

- The WTO treats all countries as if they are at the same level of development, with the sole exception of **least developed countries** (low income countries identified by the UN which face severe constraints in achieving sustainable development).
- There are many developing countries that may need protection on the grounds of developing infant industries or diversifying their production and economies to reduce the reliance on primary products.

4. Accused of ignoring environmental and labour issues

- The WTO is accused of not paying enough attention to issues relating to the environment and labour standards.

5. Members have unequal bargaining power

- Critics argue that decisions are based on the power of members in spite of one vote per member rule.

6. Fragmentation of global trade

- WTO has come to a stalemate created by developed countries demands that developing countries open up their markets to industrial products and services, while they continue to offer protection to their farmers.
- Growing trade protection tendencies around the world.
- Growing impatience with the WTO as the main mechanism for trade liberalization.

7. Blocking of its power to resolve disputes

- One of the most important roles of the WTO is its ability to resolve trade disputes between countries that disagree on trade practices.
- This function is carried out through its “Appellate Body” a committee of seven judges who hear complaints of WTO members.
- In recent years, countries have blocked appointments to the body