An Evaluation of the Role of the World Trade Organization (WTO) In International Relations

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Abstract

This study assesses the role of the World Trade Organization in international relations. The study used the secondary and multidisciplinary sources in sorting the much required data needed for the study. The study showed that the WTO is a brainchild of the United States and a few other allies who in the aftermath of the Second World War and the economic recession of the late 1930s agreed to establish an International Trade Organization to eliminate all forms of economic barriers, and to accelerate economic growth and interdependency. The study revealed that by 1995, the World Trade Organization (WTO) replaced the General Agreement on Trade and Tariffs (GATT) and grew to be a prominent player in the international arena. The study discussed the principles of the WTO as well as the role it plays in the global system. It further highlighted the challenges of the WTO in the international system (IS) and provided suggestions that would stimulate and drive the WTO to the satisfaction of all member states. It concluded that the World

Trade Organization (WTO) plays a crucial role in shaping and governing international trade relations, particularly in the spheres of free and fair trade, ensuring non-discrimination among member countries, providing a forum for negotiation and dispute resolution, and fostering a rules-based system.

Keywords: WTO, International, Trade, GATT, Organization

Introduction

In the aftermath of World War II, governments worldwide, spearheaded by the United States and numerous other developed nations, endeavored to establish a trading system that is both transparent and unbiased, aiming to enhance the economic prosperity of all countries. The countries convening to deliberate on the new trading system acknowledged the impact of reciprocal trade barriers caused by Smoot-Hawley tariffs on the 1930s economic depression. This included significant declines in global trade, production, and employment. Consequently, they deemed increased open trade to be crucial for achieving peace and economic stability (Herminio, 2013). The negotiators had the intention of establishing an International Trade Organization (ITO) with the purpose of addressing various trade barriers, as well as addressing concerns related to employment, investment, restrictive business practices, and commodity agreements. Nevertheless, due to their inability to get an agreement for a complete treaty, they were able to establish a provisional agreement on tariffs and trade regulations referred to as the General Agreement on Tariffs and Trade (GATT), which became effective in 1948. Following several reiterations of trade liberalization deliberations, this interim agreement emerged as the predominant framework governing global trade for the over 47 years, until the establishment of the WTO. Following the replacement of the GATT by the WTO in 1995, nations from various countries submitted applications and were granted membership in the organization. The states that were admitted primarily consisted of African, Asian, and Latin American nations commonly known as the "Third World or Developing countries." Consequently, the World Trade Organization (WTO) extended support in the form of loans, policy guidance, and technical aid to other nations, including those in Africa. Based on the foregoing, this study examined the history and evolution of the WTO, while

also highlighting the core principles of the organization, as well as its role in the field of international relations.

The World Trade Organization: A Historical Perspective

Following the adoption of the **Uruguay Round,** and in pursuant to the 1994 Marrakesh Agreements, on January 1, 1995, the World Trade Organization (WTO) was established with approximately 164 member states. It superseded the 1947 General Agreement on Tariffs and Trade (GATT), which was instituted in an effort to establish a stable, open international trading system in the aftermath of World War II. The establishment of the WTO represented a momentous advancement in the chronicles of global commerce and sought to establish a more all-encompassing and binding structure for overseeing worldwide trade. The World Trade Organization (WTO) served three essential roles: agreement management, facilitation of negotiations for new trade liberalization and standards, and resolution of disputes (Minter, 2001). Trade in services, agriculture, and commodities are all encompassed in the WTO agreements. Tariff and non-tariff barriers are eliminated, and regulations governing trade-related government practices-including trade remedies, Technical Barriers to Trade (TBT), Intellectual Property Rights (IPR), and government procurement are established. The nondiscrimination principles of Most-Favored-Nation (MFN) treatment, National treatment, fair competition, and transparency of trade laws and regulations form the basis of the WTO agreement. Certain exclusions, such as special treatment for developing countries and bilateral and regional trade agreements not governed by the WTO, are permissible. However, over time, the WTO system has facilitated the management of trade frictions, promoted economic growth and trade expansion, and led to substantial reductions in trade barriers. Concurrently, the WTO is confronted with significant challenges. A significant concern is that the WTO is becoming less influential due to the inability of its members to negotiate a successful round of substantial trade liberalization since 1994, in addition to an increase in actions that may violate fundamental trade norms. However, reforms have been proposed by institution members in an effort to safeguard and enhance the establishment. Contemporary challenges such as the Russian invasion of Ukraine, the Israeli-Palestinian conflicts and the Coronavirus pandemic have

significantly perturbed international trade, compelling members of the WTO to enact trade-related measures in response (WTO, 2022).

Principles of the World Trade Organization

The World Trade Organization (WTO) delineates its guiding principles in its foundational agreements, which comprise the following:

Non-Discrimination: The principle of non-discrimination serves as a safeguard against arbitrary and unreasonable forms of prejudice, thereby promoting a more inclusive and predictable framework for international trade. The principle of non-discrimination at the World Trade Organization (WTO) serves to advance the overarching goal of diminishing trade barriers and fostering international economic collaboration by advocating for equitable treatment and equal opportunity for all member nations. There are two primary components that constitute the principle of non-discrimination, namely: Most-Favoured-Nation (MFN) treatment and National Treatment.

- **Most-Favoured-Nation (MFN) Treatment:** The MFN principle stipulates that member nations of the WTO must handle one another impartially and without any form of discrimination. A nation that bestows specific trade privileges or concessions upon one of its trading partners is obligated to reciprocate with all other members of the WTO. In accordance with this principle, member nations' trade relations should be equitable and impartial.

- **National Treatment:** The national treatment principle governs the manner in which foreign goods and services are handled subsequent to their entry into the market of a given country. Members of the WTO are required to provide equal treatment for domestically produced and imported products and services. This necessitates the elimination of discriminatory practices that favour domestic products over foreign products.

Reciprocity: Members are required to engage in negotiations and reach a mutual agreement regarding trade concessions. The concept posits that when a nation

bestows specific trade benefits upon another nation, it might anticipate reciprocal advantages in the form of similar rewards.

Predictability and Transparency: Members of the World Trade Organization (WTO) are obligated to publicly release their trade regulations and uphold transparency in their trade policies. This facilitates businesses and governments in comprehending the regulations and prerequisites for engaging in global commerce.

Dispute Settlements: The World Trade Organization (WTO) offers a framework for the resolution of conflicts among its member nations. The purpose of this process is to guarantee the equitable and unbiased resolution of trade disputes, thereby deterring unilateral actions that may result in retaliatory measures.

Role of the WTO in International Relations

The World Trade Organization (WTO) assumes a pivotal position in the realm of international relations through its function as a worldwide platform for the facilitation and governance of international trade arrangements. Its role includes but not limited to the following:

Promotion of Trade and Investment

The WTO is a global body that governs and oversees economic ties among nations. It serves as a forum for member nations to engage in negotiations for trade agreements and tackle obstacles to trade. Negotiations, such as the Doha Development Agenda, are conducted with the objective of promoting trade liberalization through the reduction of tariffs and other impediments, hence, facilitating economic growth and development. The primary objective of the WTO is to promote gradual trade liberalization and eliminate obstacles that states impose on the import and export of goods and services, which disrupt trade patterns and hinder overall economic prosperity and progress (Kurniawardhani, 2021). Furthermore, it serves as a platform for member nations to engage in negotiations known as "rounds," during which they establish trade liberalization treaties that are legally binding for all members. Also, the World Trade Organization (WTO) aims to establish explicit guidelines for participation in order to promote greater

transparency and predictability in global trade. It is guided by a set of fundamental principles that establish and shape its policies and agreements (Solanki, 2012).

Dispute Resolution

The World Trade Organization (WTO) possesses a dispute settlement mechanism that enables member nations to systematically and lawfully resolve trade issues. This measure serves to mitigate unilateral actions and foster a system of international trade based on established rules. Onyema (2018) asserted that the World Trade Organization (WTO) serves as a mechanism for resolving trade disputes among its member nations. Members of the World Trade Organization (WTO) possess the authority to lodge complaints against fellow members in the event that they perceive a nation's trade and economic policies to be incongruous with their obligations as stipulated in one of the WTO's agreements. After the initiation of legal proceedings, formal hearings, akin to those conducted in a court of law, are conducted until a resolution is reached (Mariatulkubtia, 2020).

Provision of Technical Aid

The World Trade Organization (WTO) offers technical support and capacity-building initiatives aimed at facilitating the active engagement of developing nations in the multilateral trading framework. The objective of this assistance is to augment their capacity to derive advantages from foreign trade and assimilate into the global economy. The administration of specialized projects by the World Trade Organization (WTO) aims to support impoverished states in developing the necessary capabilities to engage in free trade with more developed countries. Additionally, it offers advantages to underdeveloped nations through specific agreements to facilitate their transition into international trade.

Facilitating Development Drive

The World Trade Organization (WTO) acknowledges the significance of including developing nations into the global economic framework, thus, special and differentiated treatment measures are formulated in this regard, with the aim of addressing the developmental requirements of these nations and guaranteeing their inclusion in global commerce.

Challenges of the World Trade Organization in International Relation

Although the WTO has played a pivotal role in advancing worldwide trade and economic collaboration, it has encountered obstacles such as criticisms regarding its efficacy in tackling issues such as environmental issues and income inequality, and the failure of specific negotiation cycles. The following, notwithstanding, are some of the challenges of the WTO in her international relations drive. They include:

Labour Standard Debate

Since the United States first proposed the formation of a WTO working party, the correlation between labour standards and trade has been a contentious issue within the organization. Following an extended period of unresolved discourse, one might contemplate whether the formal portion of the WTO's operations will ever have the opportunity to address this matter. Currently, just as in the past, the focus is not on the indisputable significance of labour standards; instead, it is on the most pertinent and efficient approach to encourage compliance with globally recognized labour standards. A significant proportion of governments in developing countries cast doubt on the authenticity of labour rights concerns raised by proponents of a formal trade–labour link within the WTO (Fefer & Cimino-Isaacs, 2022).

Industrial nation pressure on this matter, according to these governments, is primarily motivated by a desire to safeguard high-wage manufacturing employment against lower-wage competition. Additionally, developing nations are certain that any discourse concerning the correlation between trade and labour within the WTO will inexorably lead to formal negotiations, which will ultimately result in the enforcement authority of the WTO being utilized to restrict their exports. Consequently, developing countries, which would presumably be subjected to the most rigorous examination of labour practices, decline to endorse the establishment of a trade-labour working group within the WTO, let alone the inclusion of labour standards in the organization's legal provisions. In fact, attitudes toward the issue appear to have hardened in developing nations in recent years. The effort to formally incorporate labour into the WTO's work program has tainted negotiations on a number of other crucial WTO meetings.

Trade Tensions and Protectionism

The WTO is confronted with a multitude of opposing forces that are difficult to effectively handle. According to Santosh (2014), the escalating trade disputes among prominent economies, including the United States and China, have resulted in a surge in protectionist policies. These difficulties, thus, threaten the fundamental ideals of free and fair trade that the World Trade Organization (WTO) strives to promote. Consequently, certain civil society organizations are advocating for the expansion of its powers and mandate. The proponents advocate for the utilization of trade sanctions as a means to enforce agreements pertaining to labour, environmental, or other standards. Several civil society groups are equally advocating for a contrasting approach. Their objective is to reduce the jurisdiction of the WTO in a manner that they feel will enhance current social and environmental norms or safeguards.

COVID-19 Pandemic

WTO members encountered challenges in responding to the worldwide trade and economic disruptions induced by the COVID-19 pandemic. This crisis posed significant challenges to the coordination of global trade policies, interrupted supply chains, and led to the adoption of trade protectionism measures. The World Trade Organization (WTO) committed to addressing trade disruptions and urged its members to reveal any new trade measures. Subsequently, other countries have strengthened the trading system, abolished temporary restrictions, and recognized the WTO as crucial in addressing new trade policy issues.

Incompetent Leadership

The World Trade Organization (WTO) is currently experiencing a concerning deficiency of leadership from the majority of its major member states. The main industrial nations, whose cohesion has historically been crucial for advancing substantive matters or implementing institutional changes, are currently fragmented. These nations have demonstrated a significant deficiency in effectively advocating for more trade openness and the sustained implementation of economic liberalization, which serves as a foundation for their present economic prosperity. Furthermore, a number of them have neglected to offer sufficient financial and educational assistance to those employees, particularly those with lower levels of

expertise, who have been negatively impacted by the process of trade liberalization.

Development Divide

Countries who are still in the process of developing their economies frequently argue that the regulations of the World Trade Organization (WTO) more favourably benefit industrialized ones. When it comes to debates, the persistent challenge is to strike a balance between the interests of developed countries and those of developing ones.

Recommendations

i. Optimise efficiency by simplifying the dispute resolution procedure to guarantee expedited and more efficient resolutions.
ii. Enhance transparency by increasing the level of openness in the process, so fostering trust among member countries and guaranteeing equitable treatment.
iii. Support developing nations by offering technical support and capacity-building initiatives to facilitate their integration into the global trade framework.
iv. Eliminate trade imbalances by implementing measures that specifically target trade disparity and promote a more equitable distribution of trade advantages.
v. Collaborate extensively with other international organisations, such as the United Nations and International Monetary Fund, to tackle pressing concerns such as climate change and global health.
vi. Revise the decision-making process to enhance inclusivity and ensure representation of all member nations.

Conclusion

From the foregoing, it can be deduced that the World Trade Organization (WTO) plays a crucial role in shaping and governing international trade relations, particularly in the spheres of free and fair trade, ensuring non-discrimination among member countries, and providing a forum for negotiation and dispute resolution and fostering a rules-based system. The WTO, while facing challenges

and criticisms, its impact on global economic relations cannot be overlooked. Continued efforts to address the concerns of both developed and developing nations, adapt to changing economic landscapes, and enhance inclusivity are crucial for the WTO's continued relevance and effectiveness in international relations.

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