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*Alternative Economic Perspectives*  
*The World Trade Organization: Equity Values in a Global Economic Community*

By Allison Hughes

### Abstract

Still in its youth, the World Trade Organization is struggling to deal with the rapid changes of the global community while remaining true to its key equity values. Its focus on economic integration for the world has created its share of critics and supporters, placing more pressure on the organization to complete its goals. This work examines how the organization's fundamental equity values—utilitarian efficiency, societal opportunity, and individual liberty of states—has affected their policies and actions. It also examines the opposing opinions of the World Trade Organization, including the views of Bruce E. Moon, author of *Dilemmas in International Trade*, and Jagdish Bhagwati, author of *Don't Cry for Cancun*. These views demonstrate the organization's need to address the groups lobbying against its policies in order to live up to its primary equity values. The issue most hindering the organization's pursuits is the dichotomy between developing and developed nations within the organization, which is a problem that must be confronted for utilitarian efficiency and societal opportunity to exist. Developing countries must be given a chance to utilize their capital and succeed within the global economic system in order for free and open trade to be established amongst its members. These overdue improvements will aid the organization in staying true to its views on equity.

As the world becomes more intertwined, international organizations have been formed to determine the rules by which the global players must abide. Split into categories of developing and developed, of winners and losers, the nations of the world have sought means to work together in order to gain more societal opportunity and larger benefits for all. One organization in particular, the World Trade Organization, has focused on the economic integration of the world, and has aimed to provide a system that negotiates trade and facilitates cooperation. With its share of supporters and critics, it is an organization that is still in its youth, yet struggling to deal with the rapid changes of the global community. The developing organization is also under pressure to remain true to its equity values of utilitarian efficiency, societal opportunity, and the individual liberty of states.

Founded in 1995, the World Trade Organization (WTO) provides the international community with a forum to debate trade negotiations, trade disputes, and trade policies. Through lengthy negotiations amongst its 150 members, the organization has set the global guidelines for the trade of agriculture, textiles, manufactured products and intellectual property. While it makes no attempt to “solve or cause all of the world’s problems,” the fundamental purpose of the organization is to provide a trade standard and to allow the leaders of the global community to discuss the current and future state of open trade (WTO, 2007).

According to its official website, the organization has four overarching policies that have become the main focus over the last decade and a demonstration of its equity values. The first is “assisting developing and transitioning economies.” To complete this objective, the WTO has a Training and Technical Cooperation Institute, which teaches the leaders and negotiators of developing countries the details of the current international trade system. The institute also

provides guidance on trade negotiations, and has courses ranging from “sanitation guidelines” to “building institutional partnerships.” This objective provides societal opportunity to developing nations by allowing them an equal basis in negotiations and an equitable understanding of trade policies. The second objective is “specialized help for export production.” This policy is carried out through the International Trade Centre, which is run by both the WTO and the UN Conference on Trade and Development. The two organizations work together to explain marketing techniques to developing countries, and to aid them in promoting their exports. This enhances societal opportunity, and also provides for some basic needs as developing countries earn more money through successful exports. The third policy is “cooperation in global economic policy-making.” This allows the WTO to collaborate with the World Bank and the International Monetary Fund to acknowledge that stronger economies allow for more open, globalized trade. A representation of utilitarian efficiency, this objective focuses on the good of the whole, and promotes teamwork amongst nations. The final fundamental objective focuses on individual liberty, and states that the organization must maintain transparency internal and external to the organization in an effort to make each individual aware of its proceedings. This implies that all changes in trade regulations or trade disputes must be presented to all members of the WTO immediately. Secondly, the public has access to these alterations through the website at [www.wto.org](http://www.wto.org), and which showcases all of the WTO agreements and documents online (WTO, 2007).

These policies are consistently being approached in new ways, as the organization has been in existence for just over twelve years. Established January 1, 1995 in Geneva, Switzerland, the WTO was meant to replace the General Agreements on Tariffs and Trade (GATT). Founded

in 1948, GATT had begun to show weaknesses due to “loopholes in agriculture, textile, and clothing sectors” that hindered international trade more than it promoted it. GATT members also raised concerns over the institutional structure and possible exploitations of developing countries. Lastly, GATT only dealt with the trade of goods, and as globalization increased, its members became aware of the need for an organization to facilitate the trade in goods, services, and intellectual property. As a result of these complaints, the Uruguay Round Negotiations were held between 1986-1994 to decide upon a new, less exploitative and more encompassing organization. As a result, the current structure of the WTO was put into place (WTO, 2007).

Today, the WTO makes decisions through its Ministerial Conference, which consists of 150 official members, including 32 least developed country members, or LCD's, and 8 countries in accession to join the organization. The conference must meet at least once every two years to update trade policies, and has the ability to pass changes once 3/4 of the conference are in agreement. The Ministerial Conference is divided into three main bodies with different tasks. The first is the General Council, which includes The Goods Council, The Services Council, and the Council for Intellectual Property Rights. The second body is the Dispute Settlement Body, and the third is the Trade Policy Review Body. “Different levels of seniority and different levels of expertise” determine which countries will be placed in each of the three sectors of the Ministerial Conference (WTO, 2007).

To incorporate a system of checks and balances, the WTO Secretariat was created to control the budget, to “provide technical support for the delegate bodies,” and to review “trade performance and trade policy analysis by WTO economists and statisticians.” The Secretariat, currently run by Director-General Pascal Lamy, has 630 members and is located in Geneva. The

current budget is \$175 million, and a section of those finances are dedicated to “providing legal assistance to resolve trade disputes,” and to dealing with accession negotiations for countries that wish to join the WTO (WTO, 2007).

Incentive to join the organization is rather high, as members have the benefit of increased political and economic stability through the WTO. Just by participating in open, global trade, countries have the opportunity to “cut the costs of living” by buying cheaper imported products, “stimulate economic growth,” and “provide more choices of products and quality” to its citizens. Politically, the WTO argues “the system encourages good government” by holding leaders accountable for their decisions, and “shields governments from lobbying” by aiding the country in making decisions for the good of the entire economy—not just one interest group. The WTO also claims that increased “international confidence and cooperation” leads to global peace that can only be attained through free and open trade (WTO, 2007).

Open trade through the WTO, however, is not completely free. To gain membership, a country must first hand over all of its documentation regarding trade and the economy. This information is analyzed by WTO members to ascertain whether or not the country is in compliance with current international trade policy. Once the country is sufficiently within the trade guidelines, bilateral negotiations begin between the joining country and the WTO. These negotiations must “determine the benefits other WTO members can expect when the new member joins.” These complex negotiations involve discussions on trade commitments, tariffs and accessibility. The results of the bilateral negotiations are formally written and signed, and then must be approved by 2/3 of the members of the Ministerial Conference before the joining member can be accepted. These decisions are highly influenced by the “G-6,” or the six most

powerful members of the WTO. The G-6 includes the United States, the European Union (which consists of 28 members), Japan, India, Brazil, and Australia. Regional groups have formed within the WTO to combat this natural hierarchy, including the Cairns Group of 18 members and ASEAN—the Association of South East Asian Nations (WTO, 2007).

With such diverse countries with varying economic backgrounds, certain equity values must be incorporated into the WTO charter in order for the organization to run successfully. The most important of these guidelines is the “most-favored nation treatment,” which contends, “the rules for one apply to all.” This means that members cannot provide “special favor” to one nation over another regarding trade policies, which increases societal opportunity. Members also cannot “discriminate between trading partners,” such as placing higher tariffs on one country’s goods over another’s. Foreign and imported goods must be treated the same as locally produced goods in order to promote trade. These guidelines provide societal opportunity through an open market, and allow developing countries to provide themselves with basic needs by strengthening their economies through international trade involvement. Societal opportunity is also increased on a global scale by the “progressive liberalization” of trade facilitated by the WTO, which encourages the “gradual opening of the market, [and the] lowering of trade barriers.” Providing a high level of assistance to developing countries also creates more opportunity and equality amongst its members (WTO, 2007).

As the WTO continues to evolve in its early stages, differing views have emerged about the roles of the organization and the principles for which it stands. Bruce E. Moon, author of *Dilemmas of International Trade*, explains that although the creation of the WTO “represents an important milestone” in international trade, the system is not without its flaws. The most

concerning of these issues is the organization's inability to enforce its own rules. While a Trade Policy Review Mechanism (TPRM) was created to "monitor compliance" of the members, it has no authority to "enforce WTO rules, or to investigate violations of them." The only reprimands for failed compliance are sanctions, which can only be enacted after "the entire WTO membership unanimously agrees." This is a difficult task, given that the organization's 150 members each have different aims and needs (Moon, 107).

A second issue concerning the WTO is the concept of national sovereignty. Many leaders fear that the collaboration takes away from a country's freedom to make its own economic and political decisions. This fear has been proven valid over time, as national mandates concerning products cannot stretch past country borders. The U.S. Marine Mammal Protection Act, for instance, made it a national policy not to purchase tuna from Mexico, which often killed dolphins in its fishing nets. The WTO (and its predecessor GATT) determined this was an unfair trade restriction, and banned the law. U.S. standards for fuel emissions were also denied when EU automobile manufacturers claimed it was an unfair trade restriction. These decisions led conservatives such as Pat Buchanan to exclaim, "the WTO tramples all over American sovereignty and states' rights." Issues regarding individual liberties for states are still being debated (Moon, 109).

The largest of the growing concerns, however, is contention over whether or not the WTO is effective as a trade negotiating system. This issue has come into light after the Doha Round of trade negotiations, which began in November of 2001. The negotiations sought to create a liberalized trade agreement concerning agriculture amongst the developing and developed members of the organization. Discussions fell apart after members refused to come to

any agreements. According to Jagdish Bhagwati, University Professor at Columbia University and author of the article “Don’t Cry for Cancun,” both sides of the Doha discussion were at fault. None of the developed-country members of the WTO were willing to reduce agricultural trade barriers by much. Although the United States came into the negotiations at Cancun with a plan to offer “major concessions,” their offer was later minimized to match the smaller concessions proposed by the European Union. This left the agricultural exporters “hugely dissatisfied and disappointed” by the overall offer. Bhagwati argues that the negotiations would have been more successful if the United States were able to “isolate Europe and negotiate separately” on the issue (Bhagwati, 56).

These “strategic errors” led to negative responses from the lesser-developed countries. Believing that the more developed nations had more of an advantage, the leaders of the developing countries “chose to ignore their own protectionism and to reject rich countries’ demands for reciprocity in trade liberalization.” As a result, the negotiations ended in frustration and a mounting animosity between the developed and developing members of the WTO. Mexican Foreign Minister Luis Ernesto Derbez eventually cut the discussion short and refused any more negotiations (Bhagwati, 59).

While this incident has led many to believe that the WTO is growing ineffective, some still support the organization’s quest to encourage negotiations. Greg Fry, author of the article, “The Coming Age of Regionalism,” argues that the world is being increasingly defined by regions instead of by states. If this is true, it “points to a fundamental transformation of the global structures and processes within which global doctrines operate.” As regions become more significant than individual states, organizations like the WTO will increase in importance, as

they facilitate cooperation amongst these regions. As the world becomes fractioned into defined regions, the WTO and similar international organizations will be needed to “confer legitimacy on practices such as intervention, to distribute resources, [and] to adjudicate on the legitimacy of states by policing the right to membership” (Fry, 117-127).

In order for the WTO to live up to its fullest potential, however, it will first need to address the groups lobbying against its policies. This includes human rights groups, which want more labor standards globally implemented, labor unions that fear unemployment due to jobs going overseas, and environmentalists that want to see pollution and deforestation solutions implemented into trade policies and agreements. While Moon admits that “trade inevitably poses such dilemmas,” the WTO “must resolve them if international trade is to be governed by an institutionalized set of rules”(Moon, 112).

While the future of global relations and the WTO is unknown, one’s interpretation of the current trade policies reflects a personalized set of equity values. Those such as Bhagwati (who believe that negotiations would be more effective on a one-on-one basis) would likely put individual liberty as their first equity value. They would be joined by those fearing an intrusion on sovereignty. Those who put individual liberty foremost would be less likely to support group negotiations, and more likely to be wary of the jeopardizing of state freedoms and policies. Fry, and others who are supportive of the negotiations, are likely to hold societal opportunity as a main equity principle, as the negotiations allow developing countries to have a chance in the global economy. Those lobbying for lower trade barriers and increased agricultural trade are likely to be supporters of the basic needs principle, so that developing nations can financially support themselves through trade and obtain shelter, nourishment and other necessity items.

From the WTO charter, utilitarian efficiency appears to be its primary equity value. Even from the time of accession, the focus is on the good of the whole. Entering members must prove how their membership would benefit the entire Ministerial Conference, and coincide with the rules already formed. The “most-favored nation” principle means that the organization must act as a group. A decision that benefits one nation should theoretically benefit all. The inability for members to single one another out in trade agreements means that the goal is global trade improvement.

The second equity value seems to be societal opportunity, due to the charter’s extensive discussion on aiding developing countries. By allowing both developed and developing countries to become members, the WTO allows newer governments and economies to grow through the alliances formed with more developed countries. Assistance on their markets, economies, and legal negotiations also allows lesser-developed members to have a more equal ground with richer countries.

Individual liberty of states, while not a main equity principle, does play a role in the charter. Each member gets one vote in the Ministerial Conference, making individual choice important. For sanctions to be implemented the vote has to be unanimous, so each individual nation does play a role in the application of standards and practices. Meetings also allow individual countries to express their concerns and propose changes or new policies to the preexisting charter. In the end, however, all decisions are made as a whole and cannot change from country to country, making individual liberty relatively weak within the organization.

It could be argued that individual liberty should play a larger role in the functioning of the WTO under special circumstances. The U.S. Marine Mammal Protection Act, for instance, is

a policy for one individual nation, but was meant to be for the good of the globalized whole. Labeling it a trade restriction actually hinders progress. The laws limiting fuel emissions from vehicles were also meant to have a positive effect, but were controlled by the politics of EU vehicle manufacturers. Trade restrictions need to be redefined to allow nations to aim for global progress regarding the environment, even if they must do it on an individual basis. While the overall purpose of the WTO is to focus on international economies, other global integrations must be acknowledged in order for the WTO's endeavors to be worthwhile. For this to occur, the WTO must incorporate the equity value of sustainability into their charter, so that society can continue to have the opportunities associated with environmental capital, and basic needs can also be sustained for present and future generations.

As the level of individual liberty for members is increased, societal opportunity within the organization needs to become stronger. Although developing countries receive guidance and membership through the organization, a feeling of economic subordination keeps them from coming to agreements with the developed-country members. Such was the case with the Doha round of negotiations. For the have's and the have-not's to work together successfully, trade barriers must be lowered. Agricultural products must have the ability to move as freely as other goods and services, as it is the only capital many developing countries have. Developing nations are quick to point out that "the world's largest trade barriers continue to be found against the goods in which they have a comparative advantage," such as agricultural products (Moon, 111). Developing countries cannot hope to successfully compete as capitalists if their capital is worth less than everyone else's. The opportunity for developing nations to adequately trade the goods in which they have a comparative advantage would promote both Pareto efficiency (as their gain

would not equal another country's loss), and utilitarian efficiency—a primary equity value of the WTO.

Lastly, the WTO must remain true to their primary principles of assisting developing economies, aiding export production, facilitating cooperation and notifying all members of the changes in the international trade system. For their primary equity value of utilitarian efficiency to be achieved, developing countries must benefit just as much from the relationship as the developed nations, and be given a chance to succeed within the global economic system. Only then can free and open trade truly be established amongst its members. Until then, members are left to debate and await the “improvements that are long overdue” (Moon, 108).

## Citations

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