

PERSPECTIVES AND CONTROVERCIES OF THE WORLD TRADE ORGANISATION

The aim of the study is to analyze the principles and functions of The World Trade Organization (WTO) and to consider the perspectives and challenges for this international institution.

The WTO was established on January 1, 1995. The aim was to enhance global trade and economic openness, but it has been a source of controversy ever since. These are some of the criticisms of the WTO:

1. Free Trade benefits developed countries more than developing countries.

The World Trade Organization's purpose is to promote the free trade of goods and services amongst its member states by discouraging protectionist measures and settling trade disputes. This directly benefits developing countries as it results in an increase in real GDP. On the other hand, the WTO may not be beneficial for developing countries as it leaves their infant industries exposed to larger firms from developed countries which can be significantly detrimental for their economy and its development.

This is because the developing country would also have to lower their own protectionist barriers, such as tariffs. This allows firms in developed countries to export to the developing country and due to the fact that they are able to exploit economies of scale, they are able to produce the good or service at a lower price than the firms within the infant industries in developing countries. This increases the demand for imports as well as potentially results in bankruptcies for these infant firms due to the lack of demand [1].

Also here we can talk about most favoured nation principle. This is a core tenant of WTO rules – countries should trade without discrimination. It means a local firm is not allowed to favour local contractors. It is argued this gives an unfair advantage to multinational companies and can have costs for local firms and the right of developing economies to favour their own emerging industries.

Practical Case of India's solar power program: In 2016, India introduced a program that required solar power developers to use domestically manufactured solar cells and modules in their projects. This was intended to support the development of a local solar manufacturing industry and create jobs in the country. However, this policy was challenged under the MFN principle by the United States, who argued that it discriminated against American solar manufacturers. The WTO ultimately ruled in favor of the United States, forcing India to change its program to be more inclusive of foreign companies [2]. Critics argued that this ruling undermined India's efforts to promote the growth of a local solar manufacturing industry and transition to a low-carbon economy.

2. Lack of progress in negotiations.

The WTO has been criticized for its inability to make progress in multilateral negotiations, such as the Doha Development Round, which has been ongoing since 2001. Critics argue that the organization's consensus-based decision-making process

and the divergent interests of its member countries have made it difficult to reach agreement on key issues.

The Doha Development Round of World Trade Organization (WTO) negotiations has not officially ended, but it has been largely stalled since 2008. The Doha Round was launched in November 2001 and was supposed to be completed by January 1, 2005. However, negotiations were repeatedly extended as disagreements between developed and developing countries over issues such as agricultural subsidies and intellectual property rights remained unresolved.

The last major attempt to revive the Doha Round took place in 2008 at the WTO's Ministerial Conference in Geneva. At that conference, negotiators failed to reach a consensus on a number of key issues, including agriculture and industrial tariffs. Since then, negotiations have largely been on hold, with occasional efforts to restart them.

In the absence of progress on the Doha Round, some countries have pursued bilateral and regional trade agreements as an alternative. For example, the United States has negotiated a number of bilateral agreements, including the Trans-Pacific Partnership (TPP) and the United States-Mexico-Canada Agreement (USMCA). Other countries, including China and the European Union, have also been active in negotiating regional trade agreements.

3. Environmental and social concerns.

Free trade has often ignored environmental considerations. Free trade has enabled imports to be made from countries with the least environmental protection. Many criticise the WTO's philosophy that the most important economic objective is the maximisation of GDP. In an era of global warming and potential environmental disaster, increasing GDP may be the least important.

Arguably a reasonable argument for restricting free trade is that it enables countries to maintain cultural diversity. Some criticise the WTO for enabling the domination of multinational companies which reduce cultural diversity and tend to swamp local industries and firms [3].

However, there are also efforts to counterbalance the WTO's influence on cultural diversity, such as the UNESCO Convention on Cultural Diversity (CCD), which was adopted in 2005 and entered into force in 2007. The CCD recognizes the right of states to protect and promote their cultural expressions, and encourages international cooperation and dialogue on cultural matters.

4. Dispute settlement crisis.

The WTO dispute settlement system is facing a serious crisis. The main reason is that the United States has blocked appointments to the Appellate Body, which is the highest instance of the WTO dispute settlement. This has led to most panel reports being appealed "into the void" and leaving the dispute unresolved [4].

The US has raised several grievances with the Appellate Body, such as questions of delay, judicial over-reach, precedence, and transition rules. However, other WTO members have not agreed with the US approach and have proposed various solutions to reform the Appellate Body.

Some WTO members have also established an alternative mechanism called the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) to deal with disputes in the absence of a functioning Appellate Body.

This has raised concerns about the effectiveness and legitimacy of the organization's dispute settlement system.

Conclusion. Overall, the WTO has been criticized for prioritizing trade over other social and economic concerns and for failing to adequately address the needs of developing countries. There are ongoing debates about the role and effectiveness of the organization and calls for reforms to address some of these criticisms.

REFERENCES

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