

The WTO

What is the WTO?

In 1945 at the Bretton Woods conference established the Bretton Woods system. All 44 allied nations aimed to rebuild global capitalism after the Second World War. The depression of the 1930s was fresh in the minds of those present, where trade barriers had had disastrous effects. Via a series of trade negotiations – entitled ‘rounds’ – members of GATT (General Agreement on Tariffs and Trade) aimed to reduce protectionism. In 1993 the WTO with greater powers on member’s economies replaced GATT.

What is the WTO’s role in development?

The WTO gives a voice to developing economies and has the power to enforce trade treaties to cut farm subsidies in the US and EU and move toward freer markets. It is argued that the WTO is under the thumb of rich Western economies and the large corporations that dominate these economies.

Positive aspects of the WTO

The WTO aims to be a policing body for ‘fair’ international trade. Ideally all economies can work through the WTO to resolve trade disputes, and the WTO has legal power to implement trade treaties.

Limitations and criticisms

Critics argue the idealistic aims of the WTO are not met and that the organisation holds a strong Western bias, such as when the US economy described their agricultural subsidies as “[predominantly] non-trade distorting.” Developing economies argue they get the bad deal from negotiations such as the forced implementation of strict US-style patent systems in return for freer trade on textiles and reductions in farm subsidies.

Some groups are fiercely against the WTO and meetings of the WTO are often accompanied by thousands of protestors. Most of the groups hold views that are anti-capitalist and anti-business, advocating socialist systems of governance.

Conclusion

The ideals of the WTO are closely tied to the market-based approach to development, using free markets to bring about development through the exploitation of comparative advantage. Critics argue that these comparative advantages lie in primary products subject to turbulent prices which fall in the long run.

A market friendly approach is therefore necessary, using government intervention to correct market failures.