

The WTO: Development or the Dollar?

Written by Harry Naio

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HARRY NAIO, MAR 2 2012

The World Trade Organisation (Henceforth referred to as the WTO) is nothing if not controversial. Anti-capitalist protesters have turned out in force to oppose it, such as they did in Seattle in 2001. Much of this protest movement has been motivated by frustration towards the WTO's advocacy of free markets and the reported consequences of this for developing countries. There is however an argument set forth by liberals and other advocates of free market capitalism that the WTO does little to support genuine free markets. This essay will focus on the WTO's track record with developing countries, with particular analysis on the BRIC countries (Brazil, Russia, India and China) and will look at Marxist approaches in discussing its role in the maintenance of the western economic order.

The primary objective of the WTO is to facilitate free trade with as few negative consequences as possible. The preamble to the agreement forming it in fact lists a number of key aspirations for the organisation such as raising the standard of living along with more predictable goals such as the intent to increase demand and by extension also the production of goods and services. (Nanda, 1:2003) The argument of the WTO is that the best means towards achieving development is the adoption of free markets. However, Natya Nanda, of the graduate institute in Geneva makes the distinction between increased trade and free trade. (2:2003) Pointing to a comparison of Vietnam and Haiti, noting that though following WTO guidance to the point of earning official commendation, Haiti's economy stagnated (and continues to do so). Vietnam on the other hand imposed high custom duties and engaged in protectionism, only to see its economic growth rise by 8 percent annually and considerable poverty reduction. (Nanda, 3:2003) Development it seems, is weakened by the adoption of the WTO's policy, which is at least in part beneficial to western countries. This is due to the fact that many developing nations are simply not able to compete, regardless of liberalized trade. (Nanda, 2003:3) One of the most problematic aspects according to Nanda is that the safeguards put in place by the WTO to prevent backlash from free flow of trade is that it restricts national economic policy making quite considerably, often resulting in a policy framework unsuited to the country's specific development requirements.

One clear way in which the WTO can be seen to support 'global capital' over states is through the use of Trade Related Investment Measures or TRIMS. These agreements strictly restrain the governments ability to reign in corporations working within their borders. (Nanda, 6:2003) Though these agreements only stretch to issues pertaining to investment, there are also considerable attempts to restrict labour and environmental legislation in favour of further liberalised trade. (Spectrezone, 2005) Any and all (including telling people if packaging can be recycled, or tax policy skewed towards hybrid cars, among others) legislation intended to shape a consumers decision is at least argued against by the developed nations. This is a definite issue of concern for many as it prevents governments from effectively dealing with issues that they have to address because of other treaties and agreements such as Kyoto and other environmental initiatives. This goes against the Marxist perspective not only because of how it weakens the ability for government to reign in the excesses of capital and its proponents, but because it does so by allowing (by virtue of laissez faire) sweatshops and other means of subjugation for working people. (Hudis, 1:2000)

There are however means by which developing nations can achieve their aims within the WTO, Brazil, a rising economic power has gained wide recognition as a nation able to effectively use the legal frameworks of the WTO to improve its trade and economic development. (Schaffer, 6:2008)

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Brazil has indeed risen in standing and is often seen as an important leader for developing nations at WTO and is considered to be among the G4 (consisting of the USA, EU, India and Brazil) at the Doha round of negotiations. It is important to note that the reason for Brazil's prowess in WTO negotiations is because the organisation has a rigorous legal structure intended to prevent mistreatment of members through arbitration, which does not necessarily defend the interests of global capital. Schaffer does however note that WTO legislation affects all facets of national regulation. (9:2008) Given that the WTO is intended to facilitate free trade this will (as mentioned above) often favour corporate interests over those of governments. Brazil's economic growth has in part at least been the result of increased liberalisation in the mid 90's though this was balanced by the retention of some control of economic policy. (Schaffer, 13:2008)

China too has benefitted soundly from its membership of the WTO, as they have enjoyed the improved access to markets to which she wants to export. China spent more than 15 years and considerable diplomatic effort trying to gain entry to the organisation. (Martin & Ianchovichina, 1205:2001) Accession to the WTO is not easy for any country so for it to be worthwhile there must be a benefit for the entrant. (Evenett & Braga: Cited in Felbermayr & Kohler 2007) The main benefit as outlined by Felbermayr & Kohler is the increase in trade for new entrants into the organisation though they point in contrast to the entry terms which are often clearly in favour of the incumbent members. (1:2007) Some have argued that membership to the WTO is of much greater benefit to heavily industrialised countries than to developing ones as the mechanisms of the organisation are better geared towards them. The more industrial countries moreover have been able to institute clearer liberal reforms of their economies, and therefore gained demonstrably more from the institutions in place. (Subramanian & Wei, cited in Felbermayr & Kohler, 4:2007) There is however no doubt that there are extensive trade links fostered by countries within the WTO and many would say as a result of the liberalisation incurred by joining it. (Felbermayr & Kohler, 5:2007)

Within a Marxist narrative, the declared aims of the WTO and the policy actions that it has taken, the WTO is seeking to reduce the state to little more than a vehicle for economic development. (Heuben, 447:2006) The case made is that the WTO helps to facilitate the growth of corporations at the expense of the third world in particular but of the working classes generally as the primary gain from increased commerce is going to the largest companies. (Heuben, 455:2006) The role of nations in this picture is to lobby and campaign for free trade and other legislation that is favourable to the corporations based inside them. This is coupled with the desire to maintain areas of influence both economically and politically. (Heuben 456:2006) In order to maintain some sort of hegemonic dominance, the US has attempted to bring as many countries as possible into the WTO in order to force their involvement in the increasingly globalised economic system.

The WTO has come under pressure in recent years precisely because of its image as a capitalist vehicle for control. Much of the protest in Seattle was aimed at that very problem. This is attributed to the lack of transparency in its formation by Philip McMichael of Cornell University. This is particularly interesting given the context of increased globalisation in which the WTO was born. (1:2000) The nature of the WTO is fundamentally hidden from the public, with most of its affairs being carried out behind closed doors through bureaucratic tribunals and then making it so that the rulings issued are forced on the governments, who are in turn forced to undermine social protections and regulations at the bequest of an accountable grouping. A good example of this is seen in the potential threat to the welfare state and other such ideas, which would be sacrificed subject to what McMichael describes as; "A politically assertive form of capitalism" (467:2000).

This politically assertive capitalism is backed primarily by the US with its entrenched corporate interests but enjoys support from the majority of European states as well.

To conclude, the World Trade Organisation is a clear vehicle for the interests of capital through its dominant members, whether it's by proposing TRIM agreements in or by enforcing patent laws. It is fundamentally better to be a corporate entity working within a WTO nation given the restrictions placed on their governments ability to legislate in any genuine regulatory capacity. This is to the particular cost of developing countries as they are left having to compete against much much more advanced economies without being able to invest in the benefits that the first world obtained during its developmental phase.

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