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WTO'S ROLE IN THE FACILITATION OF ECONOMIC DEVELOPMENT

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ABSTRACT

This article delves into the role of the World Trade Organisation in the facilitation of economic development of the world, including the upliftment of developing and least developed nations. Availing copious policies the WTO quests against world poverty and promotes inter-border trading between countries. With the example of Bangladesh, it highlights the part played by trade liberalisation policies and export promoting measures in the increment of the Gross Domestic Product of the country. While dealing with this example it further unfolds the role of the Ready Made Garment sector in socio economic affairs like women employment. More particularly, it then accentuates the all encompassing provisions of the Trade Facilitation Agreement for the elimination of red tape across the borders. It also addresses the agricultural reforms undertaken by member parties of WTO in the Nairobi Ministerial Conference, and its strike against poverty. It further briefly discusses the implications of these measures on world trade. In conclusion, it underpins the importance of smooth and independent functioning of the dispute resolution mechanism offered by WTO, in order to achieve its objectives.

Keywords - World Trade Organization (WTO), Trade Facilitation Agreement (TFA), Trade Related Aspects of Intellectual Property Rights (TRIPS)

INTRODUCTION

The World Trade Organisation (WTO) was formed in 1995 following the Uruguay Rounds on tariff negotiations, thus giving an institutional dimension to the General Agreement on Tariff and Trade (GATT). The WTO and its agreements inter alia incise trade in services and intellectual property. Moreover, it also provides for an effective Dispute Resolution Mechanism thus increases the practical value of commitments the signatories undertake in an international agreement. In the hindsight one of the basis of WTO is the long held *Doux commerce* theory which suggests that interdependence of trading nations reduces the chances of warfare by making war more costly. Thus, WTO strives towards attaining world peace by providing a comprehensive structure of binding rules for global trade in goods and services. In all facets of global trade, WTO's contribution, may that be for the average tariff reduction or the global

expansion of trade, has been immense. Furthermore, the past 25 years have seen the fastest poverty reduction in history. Four Countries namely China, Krygys Republic, Moldova and Vietnam have managed to eradicate extreme poverty altogether.¹ It is pivotal to note that WTO is home to developed, developing and least developed nations and hence the onus of aligning the structural imbalances in multilateral trade commerce in an asymmetrical economic environment lies upon its shoulders. Since its inception the most remarkable achievement of WTO has been the Trade Facilitation Agreement (TFA) that ipso facto eyes on eliminating existing ‘red tape’ in moving goods across borders and also provides for assistance in capacity building of developed and least developed nations.

FINDINGS AND ARGUMENTS

Trade reforms for open trade and investment environment has proven beneficial for the member states of WTO and the same can be deduced by the test² that was conducted to measure the growth proposition of the developing countries that became the member of WTO and the ones that did not accede to WTO. It was observed that the countries that joined WTO grew at a faster rate and their investment to GDP ratio was higher than countries that didn’t accede to WTO. This happened because the former ones have engaged in a wider range of trade reforms and improved their general investment climate beyond the narrowly defined trade areas.

At the outset the grail backing Doha Development Agenda of WTO is primarily the eradication of poverty and improvising the standard of living. Sustained poverty reduction requires economic growth which again necessitates trade reform that will stimulate expansion and productivity thus achieving the goal of economic expansion.

For instance, in the case of Bangladesh the government has been implementing trade liberalisation and export promotion policies since 1980. Such trade reforms tend to stimulate

¹ Rosamond Hutt, *Chart of the day: These countries have seen the biggest falls in extreme poverty*, World Economic Forum (Mar. 09, 2020), <https://www.weforum.org/agenda/2020/03/chart-of-the-day-these-countries-have-seen-the-biggest-falls-in-extreme-poverty/>.

² Man-Kueng Tang et al., *The value of making commitments externally: Evidence from WTO accessions*, 78 Journal of International Economics 216, 221, (2009).

poverty reduction by lowering the price of capital goods and expanding investment opportunities. This shall be better demonstrated via example of the Readymade Garment sector of Bangladesh, which consequently emerged as a major export earning sector for the country. It started to earn a significant amount of foreign currency under the asylum of Multi-Fibre Arrangement and WTO Agreement on Textile and Clothing (ATC).³ The RMG sector in Bangladesh stumps up women empowerment by providing employment to women from low income households, substantially aiding in their benefit and thereby contributing to poverty reduction.

Around two third members of WTO are developing countries whereby the majority of its population lives on less money and have access to less public services, hence the major challenge of poverty eradication lies here. A more widely accepted discussion that says in the long run, economic growth is the key to the alleviation of absolute poverty. It creates the resources to raise incomes, and even if “trickle- down” is insufficient to bring the benefits to the poor, governments will have scope for stronger redistributive measures when income is higher and growing faster.⁴ Henceforth, liberalisation and trade reform being the touchstone of WTO, is helping the world in combating global poverty.

Mr. Robert Azvedo, Director General of WTO pledged to boost the world economy, adjust agricultural rules and aid developing countries, and to substantiate the WTO as a forum for trade negotiation.⁵ On the similar line The Doha Round of Negotiation witnessed sundry reforms to bring developing and least developing nations at par with the colossal players of world trade. Trade Facilitation Agreement is the most significant achievement of WTO in a multilateral trading system. It aims to promote simplification, modernisation and harmonisation to reduce cost and time, boost trade flows and increase the world GDP in significant numbers. World trade report 2015 concludes that TFA has the potential to reduce trade cost by an average of 14.3% and increase export by \$1 trillion per year. The TFA includes a revolutionary Special and

³ Afroza Ahmad Shimu & Md. Shahidul Islam, *Impacts of Macro Economic Variables on RMG Export Growth of Bangladesh*, 32(1) Economic and Business Journal 112, 113 (2018).

⁴ Alan Winters et al., *Trade Liberalisation and Poverty: Evidence So Far*, 42 Journal of Economic Literature 72, 76 (2004).

⁵ Robert Azvedo, *The WTO's 25 Years of Achievement and Challenges*, World Trade Organization, (Jan. 01, 2020), https://www.wto.org/english/news_e/news20_e/dgra_01jan20_e.htm

Differential Treatment (SDT) mechanism for the first time in the multilateral trading system, it allows developing countries and Least Developed Countries (LDCs) to self-determine the implementation timeline, and the Technical Assistance and Capacity Building (TACB) which needs to create implementation capacity, provided such members submit a set of notifications.⁶ Mauritius being one of the first economies to ratify the TFA (2015) started working on the TFA agenda, even before the agreement came into force in February 2017. Since June 2016, Mauritius has allowed pre-arrival submission of the manifest and customs declaration, improved its risk-management system, reduced the use of paper copies, and started a systematic process of information sharing with other control agencies. The conflated impact of these initiatives has decreased the time to comply with border procedures by 21 hours for exports and 20 hours for imports.⁷

Addressing the long dues of agricultural reforms in the Nairobi Ministerial Conference in 2015, WTO members finally made a landmark decision vide which export subsidies will be eliminated by developed countries immediately, except for a handful of agriculture products, while developing countries have longer periods to do so. Categorically it was important to address this point because agricultural earnings are of prime importance to a large number of developing nations that ipso facto demonstrates the reasoning behind them targeting highly protective farm policies of few wealthy countries. WTO claims that by eliminating export subsidies, its members delivered a key target of the Sustainable Development Goal on Zero Hunger. It will help to level the playing field for farmers around the world, particularly those in poor countries which cannot compete with rich countries that artificially boost their exports through subsidies.

The statement of object and reason of Agreement establishing the World Trade Organisation specifies that it shall endeavour to raise the standard of living, ensure full employment and expand world trade through a minimalistic approach towards world resources. In order to achieve these objectives WTO relies on the underlying principles of non-discrimination of traded goods and Most Favoured Nation treatment. In the hindsight through globalisation we are moving towards a free trade economy and thus ensuring the brisk and efficient movement

⁶ Pamela Ugaz, *Implementation of the WTO Trade Facilitation Agreement: Not a sprint but a marathon*, UNCTAD, (Feb. 21, 2020), <https://unctad.org/news/implementation-wto-trade-facilitation-agreement-not-sprint-marathon>.

⁷ Inés Zabalbeita, Múgica Marilyne Youbi & Cécile Ferro, *WTO's Trade Facilitation Agreement and Doing Business reforms: Are they related and how?*, (Mar. 12, 2018), <https://blogs.worldbank.org/developmenttalk/wto-s-trade-facilitation-agreement-and-doing-business-reforms-are-they-related-and-how>.

of goods and services amongst international borders. Small and Medium sized Enterprises (SMEs) are considered to be the backbone of developing economies, it is of immense importance to them as it aids the bourgeois class to a large extent. Making international trade cheaper and faster contributes to levelling the playing field between large and small firms. The Organisation for Economic Cooperation and Development (OECD) affirms that measures such as streamlining of procedures, automation of the border process, simplification of fees, or consultations with traders have the largest differentiated impacts on SMEs compared to larger firms. Thus such reforms conflated with national economic reforms of varied nations is quintessential for achieving the objectives of WTO.⁸

One of the most significant yet disputed achievement of Uruguay Round is the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) a multilateral agreement that requires all WTO members, regardless of their level of economic development, to grant certain minimum levels of protection to all major forms of intellectual property. It is noteworthy that while TRIPS requires patented inventions to be protected from imitation for a duration of twenty years, it does not constrain countries from combating the market power of patent-holders by the use of price regulations. This agreement has changed the face of international intellectual property (IP) law and policy-making. TRIPS negotiators recognised that shortcomings and inconsistencies in IP protection can distort trade and impede its benefits. Hence, the TRIPS Agreement came into force to help ease trade tensions about IP issues while leaving WTO members ample space to pursue diverse domestic policies.⁹

CONCLUSION

The gains notwithstanding, it is important to resist the euphoria that WTO is successful in achieving its all aforementioned objectives. As previously stated, the Dispute Resolution Mechanism of WTO is regarded as its crown jewel, but its credibility has been jeopardised especially in the cases with involvement of the USA. For instance, the USA has time and again crippled the functioning of WTO's Appellate body either by stalling its selection process or

⁸ Javier López González & Silvia Sorescu, *Helping SMEs internationalise through trade facilitation*, OECD Trade Policy Papers No. 229, Sept. 11, 2019, at 1, 5.

⁹ *Changing The Face of IP Trade and Policy Making*, World Trade Organisation Brochure 2015, Jan. 1, 2015, at 1, 2.

starving funds for its functioning. Moreover a few of the quid pro quo bilateral deals between nations like that of USA-China, weakens the multilateral trading system under WTO. In arguendo, the underlying principle of non-discrimination of traded goods, on which WTO relies has its own fallacies because of fair trade practices. Fair trade is a social movement through which firms are supposed to value people and planet over business and trade. Henceforth, firms with small scale of production as well are supposed to adhere to ethical business practices implying higher marginal costs. Multinational companies (MNC's) can overcome this at ease by recruitment of labor in countries with low average wages and weak rule of law. Thus, the application of non-discrimination rule gives these MNC's an upper hand and jeopardises the application of fair trade. In conclusion it is pivotal to note that WTO is striving to provide for a free trade and investment environment and it will nonetheless be a failure if the nations don't stand eye to eye with each other and cooperate. This year has turned out to be a nightmare for world trade due to the outbreak of COVID- 19. Nevertheless, WTO is determined to facilitate international trade by maintaining open trade and investment flows as they are critical to protect jobs and prevent breakdown of supply chains. Therefore, it is noteworthy that free trade and globalisation is the future and we at present have the forum that may enable the actualisation of aforesaid, we simply ought to respect it and keep it intact.