

# World trade organisation (wto)



Answer As far as the origin of World Trade Organisation (WTO) is concerned, it is worth mentioning that initially an international organisation widely known as the General Agreement on Tariffs and Trade (GATT established in 1948) used to exist that was substituted with WTO in 1995. Indeed, WTO should be called an extension of GATT because the latter organisation focused on minimising tariffs on goods only to enhance trade. Nevertheless, WTO focuses on eradicating barriers (such as quotas, protectionist policies, duties etc.) on trade of goods and services. Another characteristic of WTO is that it endorses the idea of free trade agreements followed by resolution of conflicts and ‘ trade negotiations’ among nations (BBC Profile, 2011). Answer

2 It should be pointed out that WTO is not a perfect organization neither it has been seeking perfection. As far as the positive side of WTO is concerned, it is justified to argue that the measures taken by this organisation have bolstered trade ties among countries as well as have resulted in phenomenal growth in global trade volume in last 13 - 15 years (more specifically since 1995). For instance, WTO has made a major contribution in globalisation and internationalisation of this world, thereby leading to interdependence of nations. In other words, a country having scarcity of food / agricultural products and oil could import them from foreign countries (having abundance) at reduced tariffs and meet the domestic demand. Similarly, the oil rich nations, with weak industrial base, could import machinery and manufactured products from their trading partners. Nevertheless, the WTO has also certain weaknesses and the most important one is its failure in eradicating protectionist policies. It should be recalled that protectionist policies refer to trade barriers and initiatives that help protecting domestic industries from imported products. One of the most recent examples is China

and US rivalry as these two nations have continuously been involved in securing their local industries. Nevertheless, China imposed high tariffs and increased import duties on poultry products from USA because it expressed concerns on unexpectedly cheap prices of US products. USA, in turn, also strongly reacted to this Chinese protectionism by imposing additional custom duties and tariffs on China's steel products. For instance, the cases were also filed by USA in WTO. In short, USA considers China a threat for its domestic industry because of cheap labour availability in developing China, which is alleged to have taken US jobs (Bradsher, 2010). References BBC Profile (2011). "Profile: World Trade Organization" BBC News [Online] Available at [http://news.bbc.co.uk/2/hi/europe/country\\_profiles/2429503.stm](http://news.bbc.co.uk/2/hi/europe/country_profiles/2429503.stm) Bradsher, Keith (2010) "China imposes a Steep Tariff on U. S. Poultry" New York Times [Online] Available at [http://www.nytimes.com/2010/09/27/business/global/27yuan.html?\\_r=1](http://www.nytimes.com/2010/09/27/business/global/27yuan.html?_r=1)