

# WTO: WHO NEEDS IT?

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## ABSTRACT

WTO was structured to satisfy two fundamental needs in international trade. First, it was designed to function as a multilateral agency. Second, it was expected to spearhead a global-level tariff-reduction agreement. Unfortunately, on both counts WTO's effectiveness has become questionable. First, the biggest threat to WTO has been the proliferation of bilateral and regional trade deals, the pace of which has significantly increased in recent years. Second, in terms of completing a successful round of "general" negotiations, i.e., the Doha round, WTO has failed to produce a final agreement. This paper evaluates WTO's performance in this two areas, reaching an unfavorable conclusion regarding the organization's usefulness – i.e., its *raison d'être* or existence.

## BILATERAL AND REGIONAL TRADE ACCORDS

While EU and NAFTA are among the best known regional trade agreements, they share the stage with many others. The World Bank (in its "Global Economic Prospects 2005") reports that, with varying degrees of complexity and success, more than 230 bilateral and regional trade deals exist today, compared with about 50 in 1990. The EU itself has entered into such trade accords involving at least 29 countries, with the USA having signed trade agreements with more than 55 other nations since 1985. As of 2002, more than 30% of the world trade – compared with less than 10% in 1990 – was covered by regional accords. However, it turns out that such trading blocs produce not only contradictions and incompatibilities vis-à-vis the multilateral-based system advocated by WTO, but also limited economic gains and perhaps even losses – especially for developing countries. Thus, there are major implications for WTO's future as well as for its current members, non-members (mainly Russia), and multinational corporations which have to navigate through a rising number of trade agreements worldwide.

## THE DOHA ROUND

Since the establishment of GATT in 1947, merchandise exports have grown by an average of 6% annually, total world trade has surpassed US\$6.5 trillion, and the global trading system has benefited enormously from GATT's series of trade negotiations and the adoption of tariff-reductions, anti-dumping and non-tariff measures. WTO, meanwhile, launched the Doha Trade Round in November, 2001, designed to include non-agricultural tariffs, trade and environment, WTO rules such as anti-dumping and subsidies, investment, competition policy, trade facilitation, transparency in government procurement, intellectual property, and a range of issues raised by developing countries. With a rather unrealistic timeframe, the deadline for completion was set at January 1, 2005! With WTO unable to produce a consensus on key agenda items, the entire Doha round were thrown into disarray resulting in more bilateral and regional trade deals. Moreover, a rising portion of WTO's limited resources have been spent on its "Dispute Settlement Understanding." WTO has seen more than 300 cases, compared to a total of about 300 cases dealt with during the entire life of GATT. Increasing confrontation among member states, resulting in some of WTO's adjudications being ignored, has further eroded the organization's credibility and international stature. Is WTO needed?