The World Trade Organisation (WTO)

I. Introduction

The WTO exists since 1995 and superseded the General Agreement on Tariffs and Trade (GATT), which was in force since 1948. The Uruguay Round (1986-1994), the latest and largest round of GATT led to WTO's creation. The WTO covers 132 countries, including the leading industrial nations, and is the only international body dealing with the rules of trade between nations. Its goals are to help trade flow as freely as possible, to promote the rules of free trade between the countries and to settle trade disputes. Whereas GATT had mainly dealt with trade in goods, the WTO covers also trade in services, creations and design: WTO brings the updated GATT, the new General Agreement on Trade in Services (GATS) and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) together within a single organization.

All WTO members are not allowed to discriminate between trading partners, i.e. if they grant a special favour to one country, they have to do it to all WTO members. Nevertheless, some exceptions, like the establishment of free trade areas (FTA's), are allowed. Further principles of the WTO trading system are removal of trade barriers, like customs duties and restricted quantities, and more competition but also more beneficial for less developed countries, by giving them more time to adjust and greater privileges.

Whether the WTO appreciates regional trade agreements or not depends on the goal of the inter-regional arrangement: Some promote closer economic integration and reduce tariff barriers but others hurt the trade interest of outstanding countries due to protection.

II. Trade policy

Tariffs

Developed countries agreed to cut their tariffs on industrial products by 40% until the year 2000. Then about 44% of all products exported into developed countries will receive duty-free treatment. Besides this, 40 industrial countries agreed to eliminate their import duties on industrial products by the year 2000. All other WTO members also reduced their tariffs and lowered their quotas and cut subsidies and protection for agricultural products. Least developed countries do not have to cut their tariffs.

Agriculture

Although governments agreed to cut the protection of agricultural product measures with minimal impact on trade can be used freely. They include governmental services like research, disease control, infrastructure and food security. Direct income support to farmers and environmental and regional assistance programs are also allowed. Except the least developed countries, all WTO members agreed further to cut their export subsidies for agricultural products.

Trade policy reviews

Individuals and companies involved in trade have to know as much as possible about the conditions of trade. Therefore trade regulations and policies must be transparent and a reciprocal information exchange between WTO and its member states is necessary.

As there is a close relationship between trade, investment and competition policy WTO wants to facilitate trade, promotes foreign investment and recognizes government's right to act against anti-competitive practice. Since 1996 three new working groups exist: on trade and investment, on competition policy and on transparency in government procurement. The working groups' tasks are analytical and exploratory. They report to the General Council, which will decide about new rules or commitments. Besides this, the quality of public and intergovernmental debate shall be improved and the countries shall be informed about each other trade policies. All members come under scrutiny: The industrialized countries every four years and the developing countries every six years. The results will be published.

Non-tariff barriers

The trade between WTO members has to deal with various technical, bureaucratic or legal issues, which should be facilitated. Technical regulations and standards vary from country to country the WTO encourages its members to use international standards and helps to ensure that the members establish national enquiry points for importers if they demand national standards. The import licensing should be simple and transparent and traders must be informed about the national requirements. Importers burden to apply for licenses should be minimized.

Besides this, the WTO established a system that gives greater precision to the provisions on the valuation of goods at customs, agreed on preshipment inspection (check price, quantity and quality of loaded goods) and promotes transparent rules of origin.

Moreover, the member states agreed that they would not apply any measure that discriminates again foreigners or foreign products. They also outlaw investment measures that lead to restrictions in quantities, like measures, which limit a company's imports.

Labour standards

The WTO agreement does not deal with any core labour standards. But some industrial countries believe the issue should be studied by the WTO as it provides a powerful incentive for members to improve workplace conditions. But most of the developing nations think this issue has no place in the WTO agenda, as this is only a measure for protection. Nevertheless, WTO members agreed to recognize essential labour standards, which should not be used for protectionism.

III. Services: The GATS agreement

The GATS deals with international trade in services and covers the following commitment: If a country allows foreign competition in a sector, equal opportunities should be given to service providers from all other WTO members. In order to reach transparency, governments have to publish all relevant laws and regulations. Besides this, foreign companies and governments have to be served with all required information about regulation in any service sector on request.

Moreover, WTO members agreed to recognize other countries' qualifications without discrimination, to grant each other access to their markets, to accept commitments concerning the opening of any market as bounded and to recognize the importance of a stable financial system.
Nevertheless, an exemption list of the principle of non-discrimination exists: This concerns preferential agreements in service on that some countries have been agreed before the WTO entered into force. Continue negotiations will effect in four areas: basic telecommunications, maritime transport, movement of natural persons and financial services. Also the rules dealing with subsidies, government procurement, safeguard measures and technical and qualified standard of products are areas that will be discussed in future negotiations.

IV. Intellectual property: The TRIPS agreement

Intellectual property rights (IPR) give creators the right to prevent others from using their inventions, designs or other creations. Copyright and related rights, trademarks (including service marks), geographical indications (place names), industrial designs, patens, layout-designs and undisclosed information (including trade secrets) are the areas covered by the TRIPS agreement. The TRIPS agreement will protect these rights and bring them under common international rules. Industrial designs and layout designs will be protected for at least 10 years, patents for products and processes for at least 20 years.

The owner of any form of IPR can issue a license for someone else to produce or copy his trademark, work, design etc. Under certain conditions, governments have the right to take action to prevent anti-competitive licensing that abuses IPR's. Besides this, the government should make sure that the owner of IPR receives assistance to prevent imports of pirated goods. When there are trade disputes over intellectual property rights, the WTO will settle them between its members.

Developing countries like Namibia have time until the year 2000 to ensure that their laws and practices conform with the TRIPS agreement. If a developing country did not provide product patent protection in a particular area of technology it has time until the year 2005 introduce the protection. Pharmaceutical, agricultural and chemical products are exempted from this regulation.

V. Anti-dumping, subsidies and safeguard measures

Binding tariffs, and applying them equally to all trading partners are the main principle of the WTO. Nevertheless, the WTO take actions against selling at an unfairly low price (dumping) and it allows special subsidies as well as emergency measures in order to limit imports temporarily.

If a company exports a product at a price lower than the price it charges on its own market, it is said to be "dumping" the product and an import duty can be charged as an anti-dumping measure. But this is only allowed if a detailed investigation shows that dumping is taking place and a domestic industry is being hurt.

The WTO distinguishes between prohibited subsidies, that support exports of companies and distort international trade, actionable subsidies, which help domestic industries and are allowed as long as they do not hurt the importing party and non-actionable subsidies, which are only used for industrial research or other assistance and development activities. Least developed countries and developed countries with less than US $ 1,000 per capita GNP are exempted from the regulation of prohibited subsidies. Other developed countries have to stop their export subsidies until 2003.

A WTO member may restrict imports of product temporarily if its domestic industry is injured or threatened with injury caused by a surge in imports. These safeguard measures should not last more than four years, although it can be extended to eight years. When a country restricts imports in order to safeguard its main producers, the exporting country can seek compensation through consultations or take equivalent protective actions.

VI. Settling disputes

WTO members have agreed that if they believe fellow-members are violating trade rules, they will use the multilateral system of settling disputes instead of taking action unilaterally. In 1997, 19 of 71 cases had been settled out of court just through consultations, without going through the full panel process, which takes 15 months.

The first stage is consultations between the governments concerned in order to settle their differences by themselves. If that fails the complaining country can ask for a panel to be appointed. The panel is like a tribunal, consisting of three experts from different countries who examine the evidence and decide which party is right. Either side can appellate a panel's ruling but it has to be based on point of law. If the country that is the target of the complaints does not follow the recommendations of the panel report it has to enter into negotiations with the complaining country. If the contracting parties do not agree within 20 days, sanctions should be imposed.

VII. Implications for developing and least developed countries

Provisions of the agreement

More than 75% of the WTO members are developing countries. Actually, the developing countries' share of world trade is less than 20%. To the opinion of the WTO low-income countries gain economic and political independence through a membership of the WTO because of the introduction of domestic reforms, special provisions for developing countries and a strengthened multilateral trading system. The WTO agreement contains special provisions for developing countries, e.g. non-reciprocity in trade negotiations between developed and developing countries and the WTO Secretariat provides technical assistance. Besides this, the developing countries have extra time to fulfill the WTO commitments, greater market access is granted and they get assistance in order to achieve the international standards required. Special technical cooperation, that should help to build the necessary institutions on training the people, is also offered.

Moreover, a plan of action for least-developed countries has been established in order to help them to improve their ability to participate in the multilateral system. Developed countries will examine how the least-developed countries could improve access to their markets. The World Bank, the International Monetary Fund (IMF) and the UN Development Programme support this plan. The WTO Committee on Trade and Development, which helps to implement this structure, assists developing countries further with technical cooperation and supports preferential arrangements such as the Common Market for Eastern and Southern Africa (COMESA). The goal is to increase their economic growth due to a raise in exports of manufactured goods so that they become less dependent on exports of primary goods.

Negative impacts

Although the industrial countries agreed to grant developing countries access to their markets, e.g. through reduced tariffs, selected products like fish and textiles will continue to have high tariffs. Another issue that worries developing countries is the erosion of preferences: special tariff concessions granted by developed countries on imports from certain developing countries become less meaningful if the normal tariff rates are cut so that the difference between the normal and the preferential rate is reduced. That implicates income losses for whole Africa.

Besides this, least developed countries fear that agricultural reforms will lead to increases in world prices what will be bad for poor food-importing countries. On the other hand, an increase in world prices for primary products will help developing countries to increase their export proceeds.

Another concern of developing and least developed countries is that the TRIPS agreement protects mainly the intellectual property of large multinational firms and worsens inequalities. Nevertheless, they accepted the agreement. Some developing countries, like Namibia, introduced already intellectual property protection regimes in inter-regional trade agreements.

VIII. Implications for Namibia

Favored tariff treatment under WTO covers over 90% of Africa's exports but unfortunately not fish, which is an important Namibian export product. Nevertheless, due to product diversification Namibia can exploit the new export opportunities. The agreement on textiles and clothing for example will lead to a progressive liberalisation of existing quotas. Market access opportunities are also available for exports of services and for consumption of service abroad (e.g. banking and financial services). Besides this, commitments on the supply of services in all potential markets have been made so that Namibia will benefit from the combination of technology and services offered.

Namibia is not forced to use international standards of non-tariff measures, like rules of origin, import licensing and sanitary measures, as long as its measures are transparent and predictable.

VVI. Critical comments on the WTO agreement

The WTO believes in the "free market effect" where the "invisible hand" (Adam Smith) navigates offer and demand and creates a balance. Therefore free trade, free investment and an independent National Bank that guarantees a stable currency are necessary. But as the world economic crisis 1929 and the break down of the Far East market 1998 show free trade without regulations does not work. Developing countries and transition economies are not strong enough to stand the international competition and will lose economic independence if its exchange rates decline. Of course it is important for developing countries, like Namibia, to participate in interregional and international trade but due to their low productivity they need preferential access to international markets, which should not be granted to industrial countries exporting to them.

Positive voices like “The Namibian Trade Digest” see a more secure and open market for African exports due to the WTO agreement, which includes the agricultural sector, as a single new tariff will replace protective measures. To my opinion it seems very naiv to believe in better export opportunities for primary products because of a single tariff: Most of the agricultural exports need subsidies in order to offer competitive prices on the world market. Moreover, international agricultural markets, like the EU, produce much more than they need and pay subsidies for lower production; they are not interested in African agricultural products. Therefore, African countries should concentrate on interregional trade under rules, which correspond to their requirements.

The African WTO members (excluding the least developed countries) agreed further on ceilings for tariffs on all agricultural products and certain industrial products. The problem is that countries will lose benefits of import duties on which they rely often heavily. Missing import duties can also lead to increasing exports in developed countries, which are able to offer their surplus of agricultural products to dumping prices and push the local goods away.

Fact is that the developing countries must make sure that they participate actively in the WTO in order to strengthen their influence and to defend their interests.