

THE EFFECTIVENESS OF THE GATT THROUGH ITS MAJOR ACHIEVEMENTS AND FAILURES AS WELL AS THE PERFORMANCE OF THE CREATION OF WTO

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Abstract

Over the period 1950 to 1990, an extensive expansion of world trade has taken place, followed by the rapid growth in world output. One of the common explanations of this growth is the establishment of the General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in 1947. Although successful in terms of reductions of industrial tariffs, GATT's non-discrimination and reciprocity principles were hampered mainly due to the ambiguity in the rules governing the use of contingent protection. World Trade Organization (WTO) emerged in 1994 to create global environment for free and unhindered trade. The believe was anchored on the fact that global cooperation will foster world peace through trade liberalization. The flawed Doha Round is mired in two fundamental problems. First, it has fallen victim to key players' reluctance to liberalize trade further. Second, the methodology that has been applied is faulty, legitimizing the widespread departure from the original purpose and legal framework of the WTO. This study analyses the nature of the Doha Round Negotiations; its potential outcomes, and possible implications for the multilateral trading system. The study examines various means to prevent the WTO from losing its credibility as a negotiating forum, and suggests improvements in negotiation methodology to conclude the Doha Round successfully in the future.

Keywords: GATT, WTO, Liberalization of Agriculture, Subsidy, Economic development

INTRODUCTION

When the 2nd World War ended, a major concern of the Allied powers was with how to manage the peace. In particular, they were concerned to get the world economy moving again. The aftermath of World War 1 had resulted in a slump, after a short-lived boom, and the Allies were concerned to prevent this from happening again. Memories of the Great Depression of the 1930s were also still alive. It was recognized that an important requirement to prevent this happening again was measures to bring about an expansion of world trade. Above all, there was the need to avoid the return to the beggar-thy-neighbor, tit-for-tat policies of the 1930s. In part, this was to be achieved by a return to a system of stable, but flexible, exchange rates and freely convertible currencies. This was to be achieved by creating new international economic institutions, which would ensure countries had sufficient liquidity to maintain stable exchange rates and currency convertibility. In part, it was to be achieved by securing international agreement on a set of rules for trade policy that would act as bulwark against any return to the protectionist policies of the inter-war period.

The first of these objectives was realised through the signing of the Bretton Woods Agreement in 1944. It was agreed that countries would not return to the Gold Standard, which many countries abandoned in the 1930s, as this had been too rigid. Instead, countries would peg their exchange rates to the US dollar, which, in turn, would have a fixed price in terms of gold. Countries would not allow their currencies to fluctuate by more than +/- 1% of their dollar parity. Countries would keep their reserves in the form of dollars, while the US dollar would be fully backed by gold held by the USA. Countries also made commitment to bring about convertibility of their currency as soon as possible.

Two new institutions – the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) – were created to provide countries with sufficient liquidity to manage their exchange rates. In the event of a temporary deficit in their balance of payments, countries could borrow foreign currency from the IMF. If, however, they faced a fundamental disequilibrium in their balance of payments, they could devalue. Surplus countries could also revalue.

Over the period between 1950 and 1990, an extensive expansion of world trade has taken place, followed by the rapid growth in world output. One of the common explanations of this growth is the establishment of the General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in 1947. Although formed on a provisional basis, GATT is considered to play a significant role in terms of bringing about freer trade. While economic historians argue about the direct impact of GATT on the liberalization of world trade, its unequivocal role was the setting up of principles and standards of state behaviour. Although successful in terms of

reductions of industrial tariffs, GATT's non-discrimination and reciprocity principles were hampered mainly due to the ambiguity in the rules governing the use of contingent protection. Therefore much later, in 1995, the World Trade Organization (WTO) - equipped with more useful mechanisms to implement non-discriminatory principles and resolve disputes between countries - established a framework for existing GATT rules, thus becoming an official international organization with the aim of meeting GATT principles more effectively. The signing of GATT in 1947 in Geneva created a multilateral forum, where countries, while meeting on a regular basis, were able to negotiate trade agreements. GATT was intended to operate temporarily; however, due to the lack of support from the US Congress, both the establishment of the International Trade Organization (ITO) and the adoption of the Havana Charter failed to succeed, which resulted in the permanent existence of GATT. Initially signed by a group of 23 nations, GATT was followed by a series of trade liberalization rounds, where over time the number of negotiating countries grew to 150. While setting rules to govern trade between contracting parties, GATT was based on three key principles (Marrewijk, 2007): non-discrimination, reciprocity and prohibition of quantitative trade restrictions.

The creation of the WTO represented an important development in international trade policy over the past fifty years. The decision to create a WTO arose during the course of the Uruguay Round negotiations largely as a result of a growing awareness that the GATT on its own was inadequate to cope with the demands being placed on it by the growth of world trade. As we have seen, the GATT was only ever intended to have a temporary existence, pending the establishment of an ITO. However, because the proposed ITO charter was never ratified, the ITO never came into being and the GATT assumed a more permanent existence. Contrary to popular misunderstanding, the WTO did not replace the GATT. The GATT continued to exist, but the WTO took responsibility for the GATT.

Technically, countries could continue to adhere to the GATT, but not join the WTO, although none chose to do so. However, the responsibilities of the WTO are wider than those of the GATT alone. The responsibilities of the WTO came under six headings: firstly, GATT 1994 – the original GATT agreement plus all subsequent amendments. Secondly, GATS – the new agreement covering trade in services. Thirdly, TRIPS that covering trade-related intellectual property rights. Fourthly, TRIMS which covering trade-related investment measures. Fifthly, Trade Policy Review Mechanism (TPRM) – a system set up under the GATT for reviewing the trade policies of every country on a regular basis. And finally, DSM – the new mechanism for settling trade disputes between countries

The objectives of the study:

1. To explore the main achievements and major failings of GATT from 1947 to 1994.
2. To justify the Uruguay Round through benefits or harm the developing world with the economic arguments.
3. To analyze the necessity of creating the WTO in 1995.
4. To identify and analyze the main sticking points in the current Doha Round.

LITERATURE REVIEW

As far as the effectiveness of GATT is concerned, it is essential to emphasise that the trade liberalization rounds resulted in each country “making mutually beneficial, balanced reductions in its import barriers” (Grimwade, 2000, p.322). Negotiations were held on a multilateral basis, which represented an important break with bilateral negotiations held in the past. By freeing trade from government restrictions, GATT allowed economies to take advantage of the specialization in the production of particular goods, and therefore to expand more rapidly and efficiently. During the first Geneva round, a significant cut in tariffs was made mainly due to the attempt of the US to attract other countries into GATT. Further major tariff cutting was made during the sixth, seventh and eighth rounds. Ultimately, negotiations resulted in a significant decrease in the average level of tariffs of manufactured goods, from roughly 40% in 1945 to less than 5% now (Trebilock, 1999). In addition, Piggot (2006) writes that the cut of tariffs enabled easier access to world markets for industrial goods exporters and, as a result, lowered prices for customers and increased wages through the promotion of competitive industries. Apart from that, Piggot (2006) argues that GATT had a number of indirect effects. Firstly, it established among major countries a fairly credible approach towards an open and stable environment for world trade. Secondly, GATT secured binding agreements on early tariff reductions which prevented countries from imposing higher tariffs on imports, leading to the phasing out of quotas and foreign exchange controls. Finally, the incentive for countries to lower trade restrictions enabled some organisations to achieve greater cost-competitiveness and broadened their markets.

Nonetheless, GATT's contribution to the economic recovery in post-war Western Europe is disputable. As Irwin (1994, p.128) argues, “the formation of GATT does not appear to have stimulated a particularly rapid liberalization of world trade in the decade after 1947”. Irwin (1994) points out that GATT, by concentrating its effort almost exclusively on tariff cuts and the increase in number of contracting parties, lost sight of its main objectives, thereby serving only as an effective *supporting* factor of the liberalization of world trade. The thesis has been followed by several research papers; Rose (2004, 2006), suggests that there is little evidence

that being a contracting party had an effect on trade which was either economically or statistically substantive. Furthermore, Piggot (2006) argues that the first 4 rounds achieved little; whereas Appleyard (2005) writes that although the Geneva round was reasonably successful, economists did not judge the next four rounds as having attained much success. This was due to the fact that during the middle rounds, tariff reductions mainly concentrated on industrial products, which were produced almost exclusively by developed countries. As a result, developed economies still protected their agricultural sectors and instead of reducing tariffs on finished goods, they tended to reduce them mainly on primary commodities and raw materials (Piggot, 2006).

Moreover, GATT contained several loopholes that in fact allowed discrimination between contracting parties, as described in details by Trebilock (1999). GATT permitted the formation of custom unions or free trade areas (Article XXIV), the imposition of quantitative restrictions (Article XII and XVIII), as well as emergency protection (Article XIX); along with the imposition of duties on imports (Article VI) and quantitative restrictions on agricultural imports (Article XI). Although such actions were allowed in certain circumstances only, in practice, many countries still operated certain kinds of tariff arrangements and imposed import restrictions. In fact, in the 1960s, the reciprocity principle was waived for developing countries as a way of extending the benefits of tariff liberalization to these countries. Such exceptions resulted in a failure of implementing key GATT principles, leading to the conclusion that “although GATT was concerned with bringing about freer trade, it did not seek to bring about free trade” (Grimwade, 2000, p.324). On top of that, it is notable that GATT operated as a treaty on the basis of consensus, therefore required all countries to be in agreement. Although GATT created legal arrangements for settling disputes, the process took a very long time and the requirement of acting unanimously allowed countries to block panel reports. GATT had no power to penalize contracting parties; hence the decisions were sometimes ignored. In effect, GATT was often referred to as a “paper tiger”, as it “lacked teeth” when it came to resolving disputes (Sathirathai and Siamwalla, 1987; Grimwade, 2000). As a result of by-passing GATT rules and taking unilateral actions against countries involved in a dispute, there was a tendency to favour large and rich countries.

The GATT was a set of rules to govern trade among contracting parties, including fixed levels of tariffs, which could only be changed as a result of multilateral agreement (Levit, 1983). The central provision of the GATT was the most favoured nation principle – this means that the condition to the most favoured trading nation (the one with the least restriction) apply to all other GATT members. However, an exception was included that countries were allowed to form custom unions and free trade areas (Article XXV). Being an agreement/treaty not an

organisation was a set back because it had limitation to deal legally with a nation that failed to abide by the agreement. There are three phases to the GATT agreement and no fewer than 38 separate rounds of article. The first phase of the GATT's operation from 1947 until 1959 was largely concerned with freezing (binding) existing tariffs levels. The second phase encompassing three rounds from 1959 to 1979, focussed on reducing tariffs. While the third phase, consisting only of the Uruguay round from 1986 to 1994, extended the agreement fully to new areas such as intellectual property, services, capital and agriculture and due to its complexity gave birth to the WTO to take responsibility of GATT activities (BBC).

RESEARCH METHODOLOGY

Research Approach

This is a quantitative research, in some cases qualitative approach has been applied. At first phase an exploratory research has been conducted to understand the nature of problem and its subcomponents. After analyzing all relevant data by MS Word, a descriptive method has been applied to present the findings.

Sources of Data

To meet the research objectives only secondary sources of data have been used. More emphasis is given on secondary data to conduct the research program authentically.

Secondary data was obtained from a large number of sources. These included published reports from various organizations such as annual reports, journals, books, academic surveys, and company and governmental websites on GATT and WTO.

Data Analysis Techniques

The validity and reliability of data collected was assessed to be of good status. Excel was used to analyze data using various statistical methods. Different Graphs, Tables, Charts and others instruments are used to make presentable the research results.

ANALYSIS AND FINDINGS

This study examines the role played by the GATT in the development of International Trade from 1945-1994. The essay focuses on the GATT's achievements and failures. The phases of agreements/rounds will be analysed to shed light on the achievements and failures of GATT. The extent to which the WTO resolved the limitations of GATT will conclude the analysis. The GATT provides the basis for a rule based on international trade system, it consists of 38 separate articles which members are expected to abide by in their trade relations. All

contracting parties must grant each other most favoured nation (MFN) treatment (Article II), thereby extending tariff cut offered to one country to other member of the GATT without discrimination. It rules accepted tariffs as the only form of protection. Tariffs are seen to be less harmful unlike the use of quotas and quantitative restraints which were prohibited under the GATT and were gradually removed. But, the GATT provided some exceptions where countries might need to increase protection for domestic producers, in a situation when a country is faced with a balance of payment crises, but without breaking GATT rules, in which case they will be allowed to impose a tariffs or increase an existing one(Article XII). Temporary restriction could be put on an imported product when it is causing or threatening a serious injuring to the domestic products(Article XIX) this is known as the Safeguards or Escape clause but compensation could [or should?] be given to the affected countries

Following the ending of the 2nd World War, the United States was keen to persuade as many countries as possible to sign up to the GATT. In order to do so, the US was willing to offer substantial concessions in the form of lower tariffs. The President was able to do so because of a new tariff-cutting authority was granted by the US Congress in 1945. This empowered the President to reduce tariffs by a further 50-75% over a five-year period and led to the first of the post-war rounds of multilateral tariff negotiations, resulting in a major reduction in the level of tariffs on industrial goods. Thereafter, a series of other rounds followed. In all cases, these were preceded by a renewal of the President's authority to cut tariffs or the granting of a fresh authority. However, as time went on, it was not just the US that made tariff cuts. Rather, the US was only willing to make further tariff cuts, if other countries did so also. Nevertheless, looking back over the entire period, a substantial reduction in tariffs on industrial goods did result. This was a major factor contributing to the expansion of world trade and growth in world output over this period.

GATT rules condemned use of export subsidies and dumping which it regards as unfair competition (Article VI) it also gave recognition to less developed countries in the use of trade restriction during their economic development (Article XVIII). The GATT has made a great progress in the reduction of tariffs during its various rounds. The first six Rounds focused primarily on tariff cuts which ended with the Kennedy Round in 1967, which succeeded in the reduction of average world tariff on manufactured goods from 40% to 5% (Trebilock and Howse, 1999). As of 1967 in the Kennedy round the GATT has achieved a tariff cut worth \$40 billion of world trade (BBC NEWS, 2007). In the aspect Rounds of negotiations, the GATT has served as a forum for negotiating freer trade which allows countries to enter periodic trading negotiation on a multilateral basis in the way members were allowed to make simultaneous negotiations with each other not in a bilateral way as it used to be in the past. So many negotiations have been

achieved through many round of the GATT. The table below shows the rounds of multilateral tariffs & trade negotiations that took place.

Table 1. Rounds of multilateral tariffs & trade negotiations

Round	Name	Dates	Tariff Cuts	Number of countries	Topics
1 st	Geneva	1947	21.1%	23	Tariffs
2 nd	Annecy	1949	1.9%	13	Tariffs
3 rd	Torquay	1950-51	3.0%	38	Tariffs
4th	Geneva	1955-56	3.5%	26	Tariffs
5th	Dillon	1961-62	2.4%	26	Tariffs
6th	Kennedy	1964-67	36.0%	62	Tariffs, agriculture and dumping
7th	Tokyo	1974-79	29.6%	99	Tariffs and NTBs
8th	Uruguay	1987-94	38.0%	125	Tariffs, services and agriculture
9th	Doha	2001-		142	Tariffs, services, agriculture, antidumping, subsidies, regional trade agreements, intellectual property, environment, dispute settlement and Singapore issues.

Source: World Trade Organisation

For example there were substantial tariff cuts at the first of Round at Geneva(1947) of about 21% with 23 member countries, at the second round at Annecy in France(1949) members exchanged some 5000 tariff concessions a tariff cut of 1.9%, while in the third round held in Torquay in England (1950) members also exchanges some 8700 tariff concessions a tariff cut of 3.0% with a growth of 38 members, In the fourth round at Geneva(1955-6) there was also 3.5% tariff reduction, at the Dillon round(1961-2) there was 2.4% tariff cuts and by the Kennedy round(1964-7) a tariff cut of 36% worth \$40bn of world trade as been achieved effectively and this as been seen growing according report from BBC NEWS(2007). The GATT has apart from achieving some substantial tariff cuts has extended its activities over the years to issues such as non tariff barriers for example in the Tokyo round (1973-1979). In areas such as government procurement policies, subsidy policy, custom valuation policy and technical standards, collateral codes were negotiated with the signatories to the code were subjected to its provisions (Trebilock & Howse 1999). The GATT at the Uruguay Round (1986-1994) further liberalise trade, in neglected aspect of trade such as agriculture subsidy reductions , allowing full access for textiles and clothing from developing countries trade in services (GATS), trade related intellectual property rights(TRIPs)and trade related investment measures(TRIMs) it was in this Round that developing countries started playing a more active role in the GATT, All these issues made the this Round the most complex in the GATT Rounds.

Over the years the GATT's membership has grown from 23 in 1947, to 48 in 1967 at the end of Kennedy Round there were 48 members and by the Tokyo Round in 1979 there were 99 countries as signatory members (Jackson, 1992). The Uruguay Round in 1994 involved 125 members, so the GATT has been effective in expanding its membership. This growth of the GATT has been underpinned by the huge growth in world trade and Globalisation, with countries seeing the GATT as a vehicle to participate more fully. Developing countries and less developed countries has been given opportunity to play more active role in trade agreements which was one of the issues in the Uruguay Round. Political changes have also been important, the ending of the Cold War substantially expanded the potential and actual membership.

GATT has some short comings perhaps too much attention was paid towards tariff reductions on industrial products among member states developed countries and too little on other aspect of trade such as non- tariff barriers and developing countries. The Growth of regional trading agreement is another major failing, GATT was based on multilateral principals, but an increasing complication and linked series of regional trade agreement has developed (BBC 2007). After the Tokyo Round the rapid growth and diffusion of technology, declining share of world trade, loss of comparative advantage in some mass production and technology-intensive sectors, developed countries like the USA were concerned about lack of reciprocity in international trader elations. So trade strategy switched to unilateralism and regionalism undermining the multilateral GATT (Trebilock & Howse, 1999). GATT was also side-stepped by the use grey area measures such as voluntary export restraints. These were quantitative restriction on the volume of goods imported between the importing and exporting countries. These measures had similar effects to quotas but were beyond GATT and became common. There were 26 VERs on textile, 14 on agricultural products, 10 on steel, 10 on footwear, 5 on electronic products and 79 in total in 1994. Forty six were imposed by the European Union (Salvatore, 2001).

Many domestic economies came under growing pressure from the oil shock in 1973 which led to world recession, which was exacerbated by the second oil shock in 1979. In addition developing countries such as Japan, Singapore, Hong Kong, Taiwan, South Korea and Brazil were becoming competitive threats to manufacturing in developed countries. This led to the rise in the new protectionism (Trebilock & Howse. 1999) with developed countries resorting in non-tariff barriers trade, voluntary export restraints, industrial and even the use of remedy laws such as antidumping countervailing duties. In the textile and clothing industry the USA was using Short Term Agreement on cotton textiles, by 1973 it was generalised to the Multi-Fibre Arrangement (MFA) which involved developed countries entering into bilateral agreement with exporting countries restricting exports of both natural and synthetic textiles and clothing.

This was a set back for the GATT as this arrangement were mostly bilateral outside the GATT multilateral frame work of the GATT.

Protection of the agricultural sector was increasing reducing dependency on imports and justified as being necessary to preserve the country side and the rural way of living (Grimwade, 2000). Agriculture was effectively outside because of a waiver the US obtained in the 1950s. Non-tariff barriers were a particular problem for trade in services which was of increasing importance. Intellectual properties was not given enough attention so many countries suffered from copyright issues, trademark, patent and brands there were growing trend of counterfeiting of products, All worked on the fact that GATT did have strong powers to impose sanctions or punishment to those who fail to abide by the agreements. The dispute settlement mechanism of the GATT had no provision for formal juridical dispute settlement, it relied method of consultation and consensus, consultation was widely use in solving dispute among members (Dominick Salvatore, 2001). Article XXII that members give systematic consideration to complaints of other members was the basis of action. The procedure is for mutual negotiations with the help of a third party to serve as a mediator such as the Director General. If the issue is still not resolved the GATT use Article XXIII, which involves the set of a dispute settlement body to investigate and suggest recommendations to the council for resolution, and the council takes decisions on basis of consensus.

Implication of WTO and Development of Doha Round

With the emergence of world trade organisation (WTO) in 1995 with 150 members some of the failings of the GATT has being addressed. The WTO is an organisation with a stronger legal framework. The WTO has being created to take responsibility of GATT and strengthen world trade. At the Uruguay round which was one of the most widely scoped rounds, it gave birth to the formation of the WTO as an organisation with stronger legal frame work to take responsibility for GATT inadequacies, to cope with the demands placed upon it by the growth of world trade and the structure on which it was formed. The WTO was created to go along side by side with the International Monetary Fund (IMF) and the World Bank (IBRD) in monetary aspect (Grimwade, 1996)

The emergence of WTO was to strengthen the GATT, constitutional structure to face the increasing growth of world trade, this being an organisation, it was formed on a section of the agreement at the Uruguay round which was the part II of the final round Act (GATT 1994a) Article 1 of Establishing the multilateral trade organisation, which states that the organisation is provided with the common institutional framework for the conducting of trade among its members to entail all agreements and associated legal contained in the final Acts, which

includes such agreements on trade in goods (such as agreements on Agricultural produces, Textile and Clothing, Trade related investments, subsidies, safeguards, countervailing etc).

Agreement on trade in services (GATS), Agreement on trade related intellectual properties (TRIPS), understanding rules and procedures governing the settlement of dispute and trade policy review mechanism, which will be binding on all members. WTO has been seen as the only international organisation overseeing the rules of international trade leaving little or no room for regional or other bilateral trade agreement, with its policies of free trade agreement, settling of trade of disputes between country members and organising trade negotiations. Whereby all members must abide by its rules and not by consensus. For example when member states are in dispute, there is a new dispute body (DSB) (Mavroidis, Howse and Bermann, 2005) which is set up to receive complaints; it is the WTO that stands as the judge and jury.

The members have empowered the organisation allowing it to take decisions of imposing trade sanctions against countries that have breach the rules, the member state can not block panel's decision which they do not like, but they could appeal to new Appellate Body. In first four years WTO received 158 complaints, 114 from developed countries and 44 from developing countries. These have allowed the effective carrying out of duties by the organisation such as trade in services (for example trade telecommunication and banking) and other issues such as intellectual property right. It also monetary activities of its members such as Tax cases for example in 2002 where EU was given the go ahead to impose \$4bn in sanctions against the US over the row with Washington over Tax breaks for US exporters (BBC 2007).

The Round commenced following the Doha Ministerial. At the next WTO Ministerial held at Cancun in Mexico in September, 2003, progress in the negotiations was reviewed and discussions took place as to how to carry forward the final stage of negotiations to a successful conclusion by the end of 2004. Doha round launched in November 2001 is a round with issues on multilateral negotiations which is the most recent Round. It was formed on the base to further negotiations to liberalise trade in agricultural goods and services hoping to last for five years and working on some of the agreement reached by the Uruguay round such as trade and the environment, trade and competition policy, investment issues and trade and labour standards. Where some of these aspect were opposed by the developing countries. For example a labour standard which developing countries have rejected, such issues has not allowed a conclusion or agreement of the Doha round to be reached. However there have been continuous rises in participation of the developing countries who has gained grounds in the world trade with the WTO creating awareness among developed countries concerns of developing countries which gave rise to the new round know as Doha development Round

(DDR),(David Loyn BBC NEWS 2006), giving rise to growing role of the developing countries. However the Doha round has been proven difficult to reach an agreement at the moment with issues arising between the developed countries and the developing countries towards the expansion of world trade.

What Stalled Doha?

However, the sticking point has remained the issue of agricultural trade. On the one hand, the US has insisted on much bigger reductions in agricultural tariffs than those being offered by the EU. The EU, in return, has called for bigger cuts in farm subsidies than those being offered by the US. Both the US and EU also want bigger cuts to be made developing countries in tariffs on industrial products and more concessions on trade in services. Developing countries, in return, have argued that developing countries should not be expected to make the same tariff reductions as developed countries. The Hong Kong Ministerial failed to reach a final agreement and a conclusion to the negotiations was further delayed. Consensus has been difficult to achieve partly because of changed geopolitical circumstances. Since the start of the Doha round the emerging market countries has changed the world trade system through their vigorous participation and also negotiations various important areas like agriculture and call for considerable cuts to tariff. On the balance of concessions underlies the current deadlock, reflected by unmet Advance market access demands and the fundamental disagreement between advance market countries and emerging market countries. As sizable unilateral applied tariff reductions undertaken by developing countries in the past have left a gap between their applied policies and WTO commitments, cuts in EMS' bound rates would result in a much more modest amount of additional market access for AMs. Since 2008, particularly the United States as well as other Advance market countries strongly advocate additional liberalization for specific manufacturing sectorals in the non-agricultural market access negotiations (NAMA) to satisfy their demands for more actual new market access. On the other hand, emerging market countries have not had completely rule out to participate in sectors. They took it as a voluntary as per the Doha declaration.

Progress on sectorals, however, may upset delicate balances previously achieved in other areas, such as agriculture. The Progress would become slow since 2008 and sustainable divisions persist. The sub-area of anti-dumping, industrial subsidies and countervailing measures, and fisheries subsidies were not substantive convergence on the divisive issues for the rules negotiations. Likewise, on services, the quality of offers has remained uninterested. The WTO should maintain to play a key role in keep an eye on liberalization of services, with the help of the Fund in the area of financial services. In contrast, progress on trade facilitation has

been substantial and agreement seems within reach. This has assisted developing countries in adopting better border-crossing practices, mainly for customs measures, that could enable them to export more efficiently. With even a partial package thus far remaining vague, high-level political will is needed. After blockages could not be overcome for an overall Doha deal during the first half of 2011, WTO members shifted attention towards concluding a partial deal with a particular focus on least developed countries (LDCs).

Why is Doha Worthwhile?

Unlocking Doha would make stronger the global recovery and backstop against protectionist pressures. A global welfare massively gains from the tariff reductions under Doha and also assists to access new market which created by Doha compares favourably with past trade rounds (Martin and Messerlin, 2007). Same time Doha moderately increase security in international trade relationship through stopping in past unilateral trade liberalization by WTO commitments and keep it updating principles of multilateral trading system since the global financial crisis (Henn and McDonald, 2011).

Concluding Doha would generate growth through numerous channels, thereby contributing to poverty reduction. Further trade liberalization has forced to development in both industrial and agricultural sectors, encouraging investment and production. Service sectors come forward through domestic financial liberalization and real sector structural reforms driven up income convergence of developing countries with advanced ones. Opening growth enhancing technologies, larger international market opportunities and lower price of consumer goods with efficient production have build up more international trade and investment for the developing country worker productivity which is denoted the key to higher incomes and economic welfare. These new liberalization has created welfare gain could reach 0.2 to 1 percent of world GDP. The successful areas are NAMA, agriculture, services and trade facilitation. Doha is particularly high for NAMA and agriculture because there is broad agreement on the tariff-cutting formulas

From the more recent Doha shifting more attention to non-Doha issues which are becoming increasingly more essential include proliferation of bilateral and regional trade agreements, concerns over food and energy security, and trade-related climate change issues. Consequently it is equally important these non-Doha issues be given sufficient attention in the WTO going forward. These issues are best tackled through multilateral negotiations at the WTO which is an effective international negotiating forum seems even more important than a conclusion of the Doha round. Multilateral negotiations on the crucial non-Doha issues could have a advantageous side effect in this sense by reasserting the WTO's negotiating function by

partially delinking it from Doha. The significant multilateral issues best debated at the WTO could include the following: Monitoring of protectionist measures, Food and energy security, working towards an open regionalism, Trade-related climate change issues, Government procurement, Allowing for plurilateral agreements, Competition policy.

Doha Round negotiations in 2013 at Bali Package

Bali was without doubt a critical success for the multilateral trading system. At the most recent World Trade Organization (WTO) ministerial conference, in December 2013, in Bali, Indonesia, ministers from 160 countries concluded the first multilateral agreement ever negotiated under the auspices of the WTO. After five years of impasse in the moribund Doha Round of trade negotiations, the so-called “Bali package” was enthusiastically welcomed by the world’s governments and international press alike as a critical step towards restoring the credibility of the WTO as a negotiating forum. The centerpiece of the package is without doubt a new agreement on trade facilitation aimed at reducing red tape, and facilitating customs procedures in an effort to cut down the cost of doing business. In 2013, the Bali Ministerial Conference which followed a 2011 decision to concentrate on Doha Round topics where progress was most likely to be made. The ministers issued four decisions and one declaration on agriculture. These were on subsidies used for rural development and poverty alleviation, public stockholding for food security, how to avoid turning a particular type of quota into a trade barrier, export subsidies in the broadest sense, and cotton. Negotiations on non-agricultural market access (NAMA) were put on hold in 2013 as WTO members expected the outcome of December’s Ministerial Conference in Bali.

The Working Party on GATS (General Agreement on Trade in Services) Rules further investigated the relationship and complementary between the Government Procurement Agreement (GPA) and the GATS because no progress was made in overall negotiations to lower barriers to trade in services. The TRIPS Council Special Session got together only once on a procedural matter and did not address substantive issues. The WTO’s Ministerial Conference confirmed the recommendation of the TRIPS Council to extend the moratorium on TRIPS non-violation and situation criticisms. The Committee on Trade and Development focused on sufficient progress which was made on the Monitoring Mechanism during the year for ministers to adopt it formally at the Ninth Ministerial Conference in December in Bali. In 2013 there is continued by the working group on trade and transfer of technology at their formal sessions, to analyze the relationship among the trade, technology transfer and increase the flow of technology to developing countries. The Committee on Trade and Environment in Special Session (CTESS) was discussed how to improve the work of CTESS, mainly on the reduction

and elimination of barriers in environmental goods. After years of negotiations, trade ministers approved a new Trade Facilitation Agreement at the WTO's Ninth Ministerial Conference in December 2013 in Bali. The Agreement will make straightforward customs procedures and could provide significant gain to the global economy – with estimates of the benefits ranging up to US\$ 1 trillion a year. A key part of the deal involves support to developing and least-developed countries. About the anti-dumping practices of WTO members should participate with exchanges information to the negotiating group. WTO members focused on key outstanding issues under the Dispute Settlement Understanding negotiations. Although there were no concrete outcomes, participants reported constructive work on a broad range of issues and saw a general willingness to find solutions. On 3 December 2013, ministers of the parties to the WTO's Government Procurement Agreement (GPA), conference in Bali during the WTO's Ninth Ministerial Conference, articulated satisfaction at the progress achieved towards bringing into force the revised GPA. Following ratification by 10 of the parties, the agreement finally came into force on 6 April 2014.

CONCLUSION

In conclusion the GATT being a set of rules and forum for negotiating freer trade among its signatories has played a vital role in the growth of world trade with its achievement of cutting down tariffs with the most favoured nations who were its signatories 1945 to 1995, although it has been faced with certain measures leading to its failing such as not looking in depth into other aspects of trade such as trade in service, trade related to intellectual properties and trade related to investment measures on time. Failings in the way it attended to dispute settlement because of its nature as a treaty based on rulings from consensus among signatory members who are have the choice of choosing the parts of the agreement they adhere to. Some of this failings resulted from the growing rate of other regional trade agreements and use of non tariff barriers as a form of protectionism, such as VRS, health and safety measures etc. However these have been addressed by WTO from 1995 with a stronger legal framework making all members to abide by all elements of its rules, although the most recent Round under the WTO, Doha Round from 2001 has been unable to reach an agreement. GATT effectiveness until the Uruguay Round was, in my opinion, relatively low with respect to the real impact on trade. It was an *ad hoc* institution that was never designed to exist on its own; an institution with no independent power and no financial resources to ensure compliance to its rules. Although based on non-discriminatory and reciprocity principles, GATT allowed several exceptions in this respect, therefore leading to discrimination and a tendency to favour large and rich countries. Moreover, GATT was a treaty operating on the basis of consensus, and had no power to

impose decisions on participating countries; at the same time it suffered from an inefficient dispute settlement mechanism. On the other hand, the quantitative result of GATT was the rapid decrease in the level of industrial tariffs; however, its impact on the liberalization and growth of trade is arguable. This leads to the conclusion that the most positive impact of GATT was the idea of commitment and credibility *vis-à-vis* the involvement of government in freer trade, which encouraged firms and individuals to trade. GATT was, in fact, the first attempt to implement trade rules, while introducing multilateral negotiations. It created a reference point about the direction towards which trade policies should head and, at the same time, it gradually dismantled quantitative restrictions and ensured that countries could not substitute higher tariffs for these.

The Uruguay Round may be considered a significant attempt to increase the efficiency of GATT. While reversing the pattern of textile and clothing protectionism, as well as implementing new solutions to deal with safeguards, anti-dumping and subsidies, developing countries began to play a more active role. In addition, the issues covered by the negotiations were extended to service trade, intellectual properties and investment measures. Ultimately, the establishment of WTO, which was equipped with more effective monitoring and dispute-solving mechanisms, may be considered an important attempt to address the issues raised through disputes and discrimination practices under GATT. WTO made trade negotiations more important and increased the belief in freer trade (as can be seen from the rise of membership). Still, in my opinion, the effectiveness of WTO is rather vague, as it concentrates more on protecting developing countries than on promoting the goal of free trade – the principle on which it was established.

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