

not have been as globalized as it is today. The flip-side of this argument however is that democracies may be slower, but they are transparent and accountable. Supra-national organizations are neither, and so the special interest groups that operate them can do so unquestioned and unopposed. Had the supra-national organizations been more democratic, the type of globalization that we have now might have been more equitable.

One of the most important supra-national organizations is the World Trade Organization (WTO). Even though the WTO came into being only in 1995, it has come to symbolize, more than any other organization, the current phase of globalization in its entirety—with all its strengths and weaknesses. No other supra-national body is probably as admired, and, at the same time, as loathed as the WTO. A description of the evolution, functions, and role of the WTO is provided below.

The World Trade Organization

After the successful conclusion of the Uruguay Round of Meeting in Marrakech in 1994, the 125 members of GATT formally created the World Trade Organization (WTO). Since its inception on January 1 1995, the WTO has grown both in number and scope. Currently, it has 148 members and its rules apply to over 90% of world trade. As explained earlier in Chapter 5, the principal functions of the WTO include reducing tariffs on manufactured goods, eliminating non-tariff barriers and other impediments to international trade, and acting as an arbiter in case of trade disputes between members.

The WTO is one of the most influential, and at the same time one of the most derided, supranational organizations in the world. With the exception of the UN Security Council, no other international body has more power than the WTO. The WTO has both legislative and judicial power. Unlike other multilateral agreements, conventions, protocols, and treaties, WTO rules can be enforced through sanctions. The enormous power wielded by the WTO has made it an easy target of criticism. Many critics accuse the WTO as being inherently undemocratic and aspiring to eclipse or supercede national governments. The WTO is also considered by many as the least transparent supranational organization.

The first trade liberalization meeting of the WTO was held in Seattle in 1999. However, that meeting ended in failure when developing countries refused to accede to the US demand of introducing WTO rules banning the use of child labor. Two years later, a fresh round of talk began in Doha, the capital of Qatar. At that meet-

ing, delegates set a goal to achieve a new treaty by January 1, 2005. It was anticipated in a World Bank report that a new treaty would produce over US\$500 billion in income gains for both rich and poor countries and lift an additional 144 million people out of poverty.⁹

The latest meeting of the WTO trade ministers was held in Cancún in September 2003. Unfortunately, in a repeat of the Seattle meeting, the Cancún meeting also ended in failure. This latest failure can be attributed to disagreements on two sets of issues: first, agricultural subsidies given to farm workers in developed countries, particularly in the US, EU, and Japan, and second, the so-called 'Singapore Issues,' that included trade rules on investment, competition policy, transparency in government procurement, and trade facilitation (i.e., less bureaucratic red tape when goods enter a country and adequate information about export and import regulations). The latter were first raised by developed countries in a WTO ministerial meeting held in Singapore in 1996 during which demands were placed on developing countries to further liberalize their capital markets. However, most developing countries opposed any decision on these issues as they perceived them to be incompatible with their national interests.

Industrialized economies such as the US, Europe and Japan often force developing nations to open their economies to imported industrial goods and services in which the former have comparative advantage. However, these same industrialized countries systematically rebuff requests by developing countries to open up their agricultural sector, a sector in which developing countries may have a comparative advantage.

Since the creation of the WTO, the US has given subsidies of over US\$34.5 billion dollars to its corn-growers which have enabled US corn-growers to export corn at only two-thirds of their production cost.¹⁰ However, the US is not alone in this game. Europe and Japan also heavily subsidize their agricultural sectors. Europe and Japan, together with the US, pay approximately a billion dollars a day to their farmers in subsidies. It is estimated that every year, the EU provides a subsidy of US\$17,000 to each of its farmers while the US pays US\$16,000. Norway, another European country outside the EU, pays an astounding amount of US\$45,000 of subsidy to each farmer every year. The average European cow receives a subsidy of US\$2 a day¹¹ while more than 2.8 billion people on earth, nearly half the world's population, depend on less than that amount for daily survival.

As mentioned previously, one of the items on the agenda of the trade ministers' meeting in Cancún was cap-

ital market liberalization. Generally, this is considered a topic to be discussed by finance ministers, not trade ministers,¹² as trade ministers may not have enough understanding of capital markets. Representatives from developing countries were thus very skeptical from the outset about this US move. Developing countries were argued that liberalizing capital markets often has a destabilizing impact on the economies of developing countries. They were also critical of the fact that while the US puts pressure on developing countries to open up their financial sector— an area in which the US has comparative advantage, the US has been vehemently opposed to liberalize its own economy in the areas of construction, shipping, domestic airlines, etc. in which developing countries may have a comparative advantage.

One concession that developing countries were able to extract from developed countries in the Cancún meeting was the authorization to import cheap generic drugs, albeit under limiting conditions. Another interesting development at the Cancún meeting was the emergence of a new group called *G-22* bringing together 22 developing countries. This *G-22*, led by Brazil, China, and India, changed the dynamic of trade negotiations. Whereas in previous meetings the agenda were set by the triad—the US, the EU and Japan, in the Cancún meeting, the *G-22* forced the triad to pay attention to the concerns of developing countries. It is very likely that the *G-22* members will try to make their voice heard in future meetings as well. However, the unity of the *G-22* remains to be tested. After the failure of the Cancún meeting, the US hinted that instead of multilateral arrangements, it may prefer individual bilateral agreements with friendly countries, a possibility that the US Trade Representative Robert Zoellick called “competitive liberalization”.¹³ Soon thereafter, Costa Rica, a key member of the *G-22*, which has been negotiating a separate free trade agreement with the US, dropped out of the *G-22*. More members of the *G-22* may drop out of this group and try to reach separate agreements with the US and the EU.

One of the major criticisms against the WTO is the undemocratic nature of its decision making process. Even though every member country has a seat and a vote, in reality, actual decision making occurs by consensus and is heavily influenced by the largest and richest countries.¹⁴ Walden Bello, one of the critics of globalization wrote in this regard, “*During the WTO ratification process in 1994, partisans of the new trade organization portrayed it as a one-country-one vote organization where the United States would actually have the same vote as Rwanda. In truth, the WTO is not governed democratically via a one-country-one-vote system like the UN General Assembly or through a system of weighted voting*

*like the World Bank or the IMF.. consensus is the process that reigns in the WTO... a process whereby the big trading countries impose their consensus on the less powerful countries.”*¹⁵ And even though every country is supposed to have a representative in the WTO, as late as 2000, 15 African countries did not have any representative at the WTO Headquarters in Geneva.¹⁶

Despite all these criticisms, the stalled trade talks have been revived soon under the auspices of the WTO. In deed, the majority of the people understand the importance of free trade in fostering economic prosperity for people around the globe.

The European Union

The European Union (EU) is one of the most important regional supra-national organizations in the world. With 25 members, it is bigger than the US, both in terms of population and GDP. The EU is not only the single largest market in the world, but may also emerge as a potential counterweight to the US in global affairs.

The EU is the result of a gradual integration of European countries. The seeds of the EU were sown in 1951 when six European countries—Belgium, France, Italy, the former West Germany, Luxembourg, and Netherlands created the European Coal and Steel Community. Six years later, with the signing of the Rome Declaration, these countries created the European Economic Community (EEC). The EEC was enlarged in several phases. In 1973, Denmark, Ireland, and the UK joined the EEC. The next enlargements came in 1981 with Greece followed by Spain and Portugal in 1986. With the signing of the Maastricht Treaty, the EEC turned itself into an Economic Union in 1992 and came to be known as European Union (EU). Austria, Finland, and Sweden joined the EU in 1996. With a view to replace various European national currencies with a common currency, the EU introduced the *euro* in July 1999. 12 EU countries, known as members of the euro-zone, Austria, Belgium, Finland, France, Greece, Ireland, Italy, Luxembourg, Germany, Netherlands, Portugal and Spain all replaced their national currencies with the euro from January 1 2002. The *euro-zone* has already emerged as the second largest currency zone after the US (dollar-zone). The euro-zone member countries are required to follow certain stringent fiscal and monetary rules including maintaining low inflation and low long-term interest rates (now decided by the European Central Bank) and ensuring that public debt does not exceed 60% of the national GDP and that the annual budget deficit is less than 3% of the GDP.