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## GLOBALIZATION AND ROLE OF WTO IN BRIDGING THE INEQUALITIES BETWEEN MEMBER COUNTRIES

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### Abstract:

Globalization in the literal sense means those activities which go beyond the national boundaries of sovereign nations. These activities may be related to any social spheres like economic, political, social or legal. Economic globalisation denotes the transnational activities of trade which includes imports and exports. Social globalisation denotes the free movement of technology and social values from one sovereign nation to other. It also includes the uniformity in cultural values and free movement of citizens of one nation to other. Globalisation in political matters would include the consensus of different nations regarding mutual issues like climate change, United Nations peace keeping etc. etc. Legal globalisation means establishment of different legal systems which regulate and govern all the sovereign nations uniformly like WTO, ICC etc. etc. Over the past three decades the concept of globalisation has so flourished that it has now replaced the concept of Nationalization. The author would like to unfold the different dimensions of economic globalisation and role of World trade organisation in bridging the inequalities which were faced by sovereign nations. In this context, globalisation is understood purely in economic terms, i.e., growing trade interdependence and investment integration. The strong globalisation thesis claims that national governments' macroeconomic and industrial policies can only distort and obstruct the rational allocation of resources by business decisions and consumer choices, which are now decided on a global scale. To succeed, all corporate actors must abandon their domestically oriented bureaucratic management style, as well as the government involvement that comes with it, and join the new world of open global marketing and production networks. National plans and policy action are likely to distort international markets, which offer coordinating and governing mechanisms in and of themselves. The age of successful national economies, as well as the state policies that accompanied them, has passed. The market will, and should, make the final decision.

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### 1.0 Introduction:

The concept of globalisation is not new as it is referred. The phenomenon of free trade was already in the geo-political relations of middle east, India, Africa, Roman Empire, though due to different constraints present during that period the concept was not so developed as it is now.<sup>1</sup>

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The 2030 Agenda for Sustainable Development has outlined a list of global objectives in hopes of accomplishing objectives that include decreasing poverty, making basic services more accessible, protecting and preserving the environment, fostering economic growth and development, and ensuring peace and stability in all countries.

Globalization of the product, capital, and labour markets has resulted in more effective resource allocation throughout time. Integration leads to increased present production levels and the possibility of higher future output. Consumers now have a larger selection of items and services to choose from at cheaper rates. Capital can go to nations that most need it for economic development and prosperity.<sup>2</sup>

The globalisation has brought down the different barriers to the international trade like the reduction of tariffs, concessions and subsidies for poor economies. Integration of sovereign nations related to trade, sharing of technology.<sup>3</sup> Globalisation has integrated not only the sovereign nations but also their markets, services, capital and citizens of different nations, their corporations to trade anywhere in world thus making this world as “Global Village”.<sup>4</sup>

Economic globalisation is mainly influenced by two spheres i.e. Technology and Trade .The technology had made international trade cheap due to new inventions in transport and communication thus decreasing the time conception and other expenses which were incurred before .The trade liberalisation attracted new investors to novel markets which got foreign Direct investment to those markets also which were either small or which were categorised as Least developed Nations.<sup>5</sup> People from different nations, ethnicity, and culture can now compete and collaborate with each other.<sup>6</sup>

It is due to the globalisation that most of the commodities are not produced and manufactured in one country these days, though the companies now a days analyse different factors like cheap labour and work force, low cost transportation.

International trade plays a critical part in understanding income inequality, with the tendency of trade becoming more prevalent. Developing nations have been rapidly integrated into international markets due to trade, financial, and technology globalization, which has also resulted in a substantial reduction in income disparity. The widening disparity in income per capita between wealthy and poor countries is mostly due to stronger economic development in the developing world. The situation began to change for the better in the late 1990s, at which point inequality started to drop, albeit this happened in spite of a steady rise in inequality that had taken place since the 19th century.<sup>7</sup>

On average, employees' chances and wages depend on where they live, what they do, and even the industry or workplace they work in. Personal qualities, such as individual talents, are significant since, in comparison to inexperienced workers, experienced workers tend to be less mobile. Globalization is the key force behind the emergence of different types of work required by companies. Businesses that are big and technology-intensive, and which have greater exposure to foreign commerce, tend to need their employees to do more complicated duties, such as

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<sup>1</sup>Bouille, Laurence Joseph, *The Law Of Globalisation*, Robina, Qld:Bound University Press ,2008,ISBN:978-0646-48636-9(pbk). (n.d.).

<sup>2</sup>WTO document : *Globalization and trade* ,p -21 , [https://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/wtr08-2b\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/anrep_e/wtr08-2b_e.pdf)

<sup>3</sup>Joseph Stiglitz 2021, *globalization and its discontents* ,penguin,p.9

<sup>4</sup>Thomas Friedman 2021, *The Lexus and the olive tree: understanding Globalisation*, Anchor Book, P-9.

<sup>5</sup> World Bank, *Global Monitoring Report 2015/16*.

<sup>6</sup>Thomas Friedman 2005, *the world is flat: A brief history of the globalised world in the twenty first century*, Farrar, Straus, Giroux,p.8.

<sup>7</sup>Bourguignon F (2016). *The globalization of inequality*. Princeton University Press.

management roles.<sup>8</sup> Many developed and developing nations have noticed a shift in the nature of tasks (work is made up of tasks), and this observation has also been made in other areas.<sup>9</sup>

An economy needs free trade and investment if it wants sustainable growth. In the last several decades, a nation has never become prosperous for its citizens unless it welcomed the outside world. While the Asian success story may be attributed to lowered import tariffs of 30% to 10% over the last 20 years, having free trade as well as openness to foreign direct investment is another part of it. Many developing nations have seen major development in manufacturing particular goods, due to the importance of opening their economies to the global market. The World Bank defines these nations as "new globalizers," and in these places, the total number of poor people has dropped by nearly 120 million (14 percent) in just seven years i.e. from 1993 to 1998.<sup>10</sup>

## 2.0 Role of WTO in Globalisation:

Nations succeed in boosting growth, development, and poverty reduction through participating in the global economy. Worldwide commerce has expanded twice as quickly as global production over the last two decades. However, commerce has historically contributed to economic development. Because to the global liberalization carried out in eight rounds of GATT meetings as well as other trading policies, the international economy has seen major successes over the last six decades. During the final of these eight rounds (known as the "Uruguay Round" since it was finished in 1994), an international organization was formed to govern the increased number of bilateral trade agreements that were springing up throughout the world.

Due to the increased interconnectedness of the global economy, people in many parts of the globe are enjoying better lives. Some emerging economies have seen significant income growth in recent years. In international commerce, emerging nations have grown very relevant in recent decades; now, one-third of global trade belongs to developing countries, who used to comprise one-quarter of world trade. Developing nations have become more reliant on exports of manufactured goods and services rather than commodity exports. Today, 80 percent of their exports are comprised of manufactured goods. A major change has been the fast growing commerce between emerging nations: 40 percent of their exports are now heading to other developing countries.

When nations concentrate on inward growth, their economies suffer. In contrast, more outward-looking countries tend to do better. One observation is that the positive results of trade liberalization may be up to ten times more fruitful than its negative aspects. Countries with liberalized economies have seen quicker development and greater poverty alleviation in recent years, notably India. Those developing nations who reduced tariffs by an average of twenty percentage points in the 1980s were on average able to outgrow those that kept tariffs unchanged in the 1990s.<sup>11</sup>

The impoverished gain much from free trade. Developing nations do not have the resources to waste on providing implicit subsidies to some limited special interests, which often take the form of trade protection. Similarly, the additional growth arising from more liberal trade tends to lead

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<sup>8</sup> Autor, D.H., Levy, F. and Murnane, R.J. (2003), "The skill content of recent technological change: An empirical exploration", *Quarterly Journal of Economics*, 118(4):1279–1333.

<sup>9</sup> Muendler, M.-A. (2017), "Trade, Technology, and Prosperity: An Account of Evidence from a Labor-market Perspective", *Staff Working Paper ERSD-2017-15*, Geneva: World Trade Organization (WTO).

<sup>10</sup> World Bank and Oxford University Press, *Globalization, growth, and poverty building an inclusive world economy*, 2002, , Oxford University Press, p.3-18

<sup>11</sup> D. David, 2001 "Globalization, Inequality, and Poverty since 1980", World Bank mimeo.

to a proportional rise in the income of the poor, in comparison to the rest of the population. In order to join the middle class, unskilled people have new tasks to do.<sup>12</sup>

The contribution of WTO in the process of Globalisation was discussed in Singapore Ministerial Conference. The WTO facilitates and governs the international trade and all the agreements are signed under WTO watch, it also facilitates the regional agreements. It is the WTO which brought almost 130 member countries under one umbrella and made different rules by way of negotiations to make world trade and investment easier and accessible. WTO has intensified the competition between its member countries, which created more jobs, growth in economies, and production of affordable goods etc., etc. The efforts of WTO and IMF go well together. In order to keep the global economy in good shape, an effective international financial system has to promote competitive trade. In turn, thriving trade will help prevent payments imbalances and financial crises. To have a well-functioning system of international commerce and payments, these two organizations work together to have a trade and payment system accessible to all nations. In order to make a big difference, an essential component of enabling prosperity, improving the quality of life, and alleviating poverty across the world.

WTO is undoubtedly helping to promote the development of global economic integration via its work on free trade. Some anti-globalists continue to blame globalism and by extension the WTO for problems. The growing global commerce between countries has made dumping, a negative effect, more apparent. Rich nations continue to exploit the access our market provides to them as an open door to unload subpar and counterfeit medicines and textiles into our market.<sup>13</sup>

WTO negotiated various agreements which played main role in economic globalisation. Those are:

- **The agreement on trade in goods:**<sup>14</sup>

measures for reducing tariffs and liberalizing industrial products (with an emphasis on reduction of tariffs on industry over 10 years), liberalization of textile and clothing imports in the industrialized countries, trade and domestic policy reform in agriculture with some reduction in government export subsidies, the ban on investment measures restricting trade (TRIMs), which are subject to specific trade provisions.

More rigid subsidy safeguards are the means to save firms, which may have imports prohibited if they're in danger (against sales below production cost).

- **The agreement on trade in services (GATS):**<sup>15</sup>

Market access and implementation of the GATS requirements to foreign businesses in the service sectors chosen by a particular nation from a list of possible service sectors.

- **The agreement on trade related intellectual property rights (TRIPs):**<sup>16</sup>

Extending protections, such as copyrights, trademarks, and patents, over a certain time to all member states of the WTO.

The WTO makes an important contribution to globalization by covering so many sectors and allowing greater interaction of national economies, foreign direct investment and capital markets. Expanding WTO membership over the last two decades has facilitated developing

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<sup>12</sup>David Dollar and Aart Kraay, 2001 "Trade, Growth, and Poverty", World Bank mimeo.

<sup>13</sup> E. Ekanem, 'Globalisation: The Consumer's Albatross?' (2014) v-1 i-1 Juris Insight, p. 16.

<sup>14</sup>Globalization, Marginalization and the WTO, Myriam Vander Stichele, 1997, WTO Booklet Series 2 TNI.

<sup>15</sup>ibid

<sup>16</sup>ibid

countries' further involvement in the global economy. At the same time, it has been argued that divergent objectives of developed countries and developing markets have been detrimental to the WTO's capacity to find compromises and make progress on the formation of new rules and the liberalization of trade.<sup>17</sup>

At the World Trade Organization, there is an absence of any concerted effort to tackle economic disparity in the world (WTO). Nonetheless, many bilateral agreements handle such problems. Many of them include labour provisions that encourage the protection of workers' rights or gender equality. They do not concentrate directly on income disparity problems, but they deal with such topics indirectly. Incorporating these kinds of provisions in trade agreements is often seen as a stealth protectionist measure by wealthy nations seeking to aid the export of their goods from developing countries where labour standards are weaker.<sup>18</sup> There are several recent trade agreements that are including gender-specific chapters in order to deal with trade barriers that impede women from participating more equally.

Even though the general assumption is that a majority of countries prefer to export commodities and goods rather than labour to high-income countries, it is safe to say that the majority of countries would prefer that workers from low-income countries migrate to high-income countries. In light of this preference, a debate has ensued about whether trade agreements should have strong labour clauses or weaker labour clauses. The two sides present very different economic opinions. The side in favour of strong labour clauses assumes that these clauses, if enforced, will help support local industries and improve labour conditions in low-income countries. The side in favour of weaker labour clauses believes that the focus should be on what it takes to strengthen a country's economy, with greater focus on investments and capital gains. I can't pretend to be objective in this discussion, because my arguments in favour of the inclusion of labour clauses have little to do with improving labour conditions. Instead, I'd like to introduce my views on why the opposite side's opinions are simply incorrect. Based on past research, we know that it is preferable to have better working conditions in low-income nations, since people are more productive when it comes to their jobs, and it's also better for consumers who want their goods. Sadly, trade agreements between low-income nations seldom include labour provisions. Only 3% of the low-income nations' agreements include social provisions with enforcement or strong collaboration. Neither is the use of this clause in low-income nations' trade agreements increasing. Countries with low incomes might consider being more receptive to include these kinds of chapters in their trade agreements.<sup>19</sup>

The focus should be on increasing small businesses' access to global markets by boosting e-commerce. Online platforms decrease the cost of marketing for companies who are unable to reach international customers through promotion in a foreign market on their own. There is data indicating that small businesses benefit more from internet marketplaces and their services, whereas big firms do not seem to be affected.

### **3.0 Conclusion:**

Reforms to global trade have resulted in reductions in the gap between nations' income levels. However, they've been marked by increasing inequality of wealth in many nations. International

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<sup>17</sup> World Trade Organization: Overview and Future Direction, 2020, Congressional Research Service <https://crsreports.congress.gov/R45417>.

<sup>18</sup> Bhagwati J (1995). *Trade Liberalization and 'Fair Trade' Demands: Addressing the Environmental and Labour Standards Issues*. *World Economy* 18(6), p.745-759.

<sup>19</sup> Carrère C, Olarreaga M and Raess D (2018). *Labor clauses in trade agreements: worker protection or protectionism?* University of Geneva, mimeo.

commerce has been in the hot seat, and its adversaries say that the primary reason is the fall-out from globalization. The reason why protectionism isn't a solution is because you can't resolve the negative impacts of trade by adding tariffs. Trade has a major role in global prosperity, as shown in the SDGs. Because of this, governments need to start concentrating on how to encourage trade, as well as ensuring that the advantages of international trade are more equitable and answer to the imperatives outlined in the Sustainable Development Goals.

Nations gain more from liberalizing their own markets than opening up to other countries' marketplaces. Developed economies would get the most advantages from liberalizing their agricultural markets. Manufacturing and agriculture will be equal-impact liberalization areas for developing nations. Agriculture liberalization in industrial nations would benefit low-income countries the most because of the proportional significance of agriculture in their economy.

We must liberalize trade if we want to address these concerns. Even though it has dropped significantly in the last three decades, protection is still important in industrial and developing nations in certain industries (such agriculture and low-skill manufacturing) that developing countries have an edge in. As global trade should benefit all nations and their citizens, it's important to consider what constitutes "fair" trade. It is in this framework that the roles of advanced countries' wealthy and industrially based nations become important. When they make poor nations remove obstacles and participate in international commerce, they simultaneously impose trade restrictions of substantial tariff and non-tariff kinds on countries in need of financial aid. To avoid unfair trading systems, it is critical that wealthy nations should remove trade obstacles and subsidies to ensure poor countries' goods are freely and fairly able to access the markets.

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