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# World Trade Organisation (WTO) and the issues of further reductions of international trade barriers in the condition of globalisation

## Introduction

As a result of the Uruguay Round a number of changes and additions were introduced to the GATT text and to other agreements reached under its auspices. They were supposed to strengthen the rules of the international trade system, the rules that had been earlier seriously violated by the application of departures and exclusions from the GATT rules, the protectionist actions included.

The General Agreement on Tariffs and Trade (GATT) has been replaced by the World Trade Organisation, established on 1st January, 1995, as a chief global trade organisation. Unlike GATT, WTO is an organisation formed on the principles similar to those of International Monetary Fund or World Bank.<sup>1</sup> First of all, it is a legal entity. Most decisions are reached unanimously, and the rest by the majority rule. The main task of the WTO is supervising the implementation of the Uruguay Round decisions by the particular countries. The organisation is also a forum for the negotiations on further liberalisation of the international exchange of goods and services, on foreign investments related to the exchange of goods and on the laws pertaining to the intellectual property rights. The basic principle of the organisation is non-discrimination of member states, manifesting itself through the application of the most favoured nation clause. This is accompanied by the rule of mutual benefits, free access to national markets and the rule of honest competition. Governments may intervene only when there is a necessity to protect the balance of payments, national production, health of citizens and safety of the state. The

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<sup>1</sup> See T.H. Cohn, *Global Political Economy. Theory and Practice*, Longman, New York 2000, p. 214.

WTO provides also for the procedure of conflict solving, far more effective than the previous ones and, at the same time, the procedure that is uniform for all the areas under regulations. The competence of WTO is much broader than that of GATT.

## 1. Establishing of the World Trade Organisation (WTO) and the main problems of the contemporary international trade liberalisation

The agreement from Marrakech on establishing the World Trade Organisation consists of a preamble, 16 articles and 4 annexes. Annex 1 covers the Multilateral Agreements on Goods Trading, Annex 2 includes the Agreement on Rules and Procedures of Conflict Solving, Annex 3 presents the Mechanism for Surveying the Trade Policy, Annex 4 – the so-called Pluralistic Agreement encompassing: the Agreement on Civilian Aircraft Trading, Agreement on Government Purchases, the International Dairy Agreement and the Beef Agreement. GATT did not disappear; it returned to its original status of the agreement on goods trading.<sup>2</sup> The trade rules of WTO are confined to a number of agreements, along with the rules of GATT and other arrangements negotiated in the Uruguay Round, such as: the General Agreement on Trade in Services (GATS), the Agreement on Trade-Related Intellectual Property Rights (called also the TRIPS Agreement), and the Agreement on Trade-Related Investment Measures (called also the TRIMS Agreement). Trade in goods involves the broadest aspects of the international trade and that is why GATT-1994 remains the most important trade agreement within WTO.<sup>3</sup>

All WTO agreements are obligatory for its members. This means that the countries joining WTO are obliged to accept those agreements in the form worked out during the Uruguay Round, without any choice in that matter (as it was possible in case of so-called codices during the Tokyo Round) and without the possibility of introducing any changes. Proper national authorities accept the access in the form reserved for such cases in the state law (in most cases this means the ratification procedure carried out by national parliaments). Besides, each WTO member is obliged to ensure the compatibility of its own administrative regulations and procedures with the obligations resulting from the Uruguay Round agreements.

The creation of WTO resulted in an uniform system of rules in the international economic exchange. The organisation forms the institutional framework for

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<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

broadly understood trade exchange between its members. This way a uniform system of principles and procedures was established, along with the supervision over the already reached agreements, the employment of protecting means in case of rules violation, methods of solving possible conflicts, and allowing to promote further liberalisation. The acceptance of all the Uruguay Round agreements (written down on over 500 pages), is a necessary condition to be met by those who want to participate in WTO. At the same time, it forms a system encompassing a significantly bigger number of areas of co-operation than GATT, together with the new agreements negotiated in the course of the Uruguay Round. It is obliged to adapt the trade rules of particular member countries to the rules of WTO, as well to publish them, that is, to make them publicly known. The purpose of this is gaining the optimum transparency of the national laws.

As a result of the Uruguay Round three new areas of the international trade were covered with multilateral regulations, namely: trade in services, intellectual property rights protection and the trade related aspects of the investment policy. The purpose of the agreement in the field of services, that is, of the General Agreement on Trade in Services (GATS) is seen in establishing multilateral rules for conducting that type of trade, and in reducing the trade barriers. In the two remaining areas the agreements prepared grounds for the reduction of intellectual property rights abuses (forging of goods, illegal reproduction of computer programs, video cassettes, etc.), and for the reduction, by the member states, of those policy instruments which make foreign investments more difficult. Similarly, the uniform rules were also established for the trade in agricultural products and textile-clothing goods. Until then, these areas were not covered by the GATT regulations. In addition, many GATT regulations were more precisely defined, among others, those related to fighting the ill effects of dumping, subsidies, some non-tariff measures of trade protection, and the regulations concerned with conflict solving, etc. The new agreements included also the state-related aspects of those agreements that had been signed in the Final Act of the Uruguay Round. They were concerned with the international trade in goods as well as trade in services.

Functioning of the international trade depends now, to a significant degree, on the Agreement on Safeguards, signed in the course of the Uruguay Round, and regulated by Article XIX of WTO, which defines more precisely the conditions of gaining the Most Favoured Nation Clause (MFN) and prohibits the application of the Voluntary Export Restraints Arrangements (VERA) and their varieties. Another agreement introducing restraints is the Agreement on Textiles and Clothing which gradually incorporates the trade regulated by the Multifibre Arrangement (MFA) into the GATT rules, which means that ten years after the WTO agreement has been implemented, the largest forum for introducing the agreements of Voluntary Export Restraints (VERA) will stop functioning.<sup>4</sup>

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<sup>4</sup> *Ibid.*

At the turn of the century, the European Union clearly showed its will to eliminate the trade and investment barriers. This was particularly visible in case of foreign direct investments (FDI). For obvious reasons, this was connected with the introduction, at the beginning of 1999, of the uniform European currency euro, and with the, next enlargement of the EU, 1st Mai 2004, this time to the Central and Eastern Europe. It was emphasised that the trade liberalisation has a special positive significance in the global context.<sup>5</sup> Due to technical progress and to the growth of economic ties between particular countries, participants in the world economy, the benefits resulting from liberalised international trade and from the freedom of movement of foreign direct investments become bigger not only for the industrialised countries but also for the so-called “emerging markets”, that is, the countries that find themselves on the stage of the accelerated development, which means also the economies of the Central and Eastern Europe.

At the beginning of this century the exchange of goods between the European Union members and the countries of the Central and Eastern Europe was, to a significant degree, liberalised on the basis of the European Treaties which established the association between the partner countries. In the area of industrial goods exchange these treaties arranged for the creation of the free trade zones, i.e. for the elimination of customs and non-tariff restrictions. This purpose has been, to a significant degree, accomplished. The European Union, which, asymmetrically, started the process of liberalisation earlier than the countries of Central and Eastern Europe, eliminated, at the beginning of 1998, the last obstacles on the way to its market for the goods from Central and Eastern Europe (these restraints had the form of quotas and involved some textile and clothing products; the last customs duties were eliminated as early as 1997). The countries of Central and Eastern Europe which practically started to remove the obstacles in the industrial goods imports from the European Union at the beginning of 1995, also significantly opened their own markets. On 1st January 1999, the last group of customs charges was eliminated (in 1998, an average level of customs duties in the imports of the discussed group of goods did not exceed 2.9%). Customs duties were to remain only for the imports of cars, for which a ten-year long period of liberalisation was established. They are being, however, gradually reduced and at the beginning of 2002 were disappear completely.

On 1st January 2000, the next round on the liberalisation of the international trade, especially on trading in agricultural products and in services, was to begin in Seattle, in the United States, this time under the auspices of WTO.<sup>6</sup> Beside the two mentioned areas, it was supposed to cover the classic aspects of the international trade liberalisation, such as customs tariffs for industrial products, the problems of public markets and public investments, as well as the general issues of

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<sup>5</sup> *Ibid.*, pp. 214–217.

<sup>6</sup> *Ibid.*

trade, competition and investments.<sup>7</sup> The European Union expressed vivid interest in the new round. In the official Union circles the coming negotiations were described as the “new millennium cycle”, which was supposed to emphasise its significance.<sup>8</sup>

In the course of the ministerial session of the WTO members, which was held in the end of November and in the beginning of December 1999, in Seattle (USA), serious protests against the new negotiations on the international trade liberalisation, mostly coming from non-governmental, ecological, leftist and anarchic organisations, took place. As a result, on 1st January, the new round of the trade negotiations, called earlier the millennium round, did not start.

It is worth considering what was the root of those protests against the liberalisation of trade. One has to notice here that the issues of the free trade exchange are connected with the continuously growing processes of globalisation of the world economy, which has its advocates as well as its opponents. At the same time those globalist and separatist tendencies are, in a sense, linked and they incite each other. It is obvious that the war which is being conducted against any form of dependence, against technology, mass culture and common markets would be impossible without global communication.

It is not easy to find a world centre of antiglobalists. However, one has to observe here that their organisations co-ordinate their actions or, at least, inform one another about them. Internet, the most global medium of all contemporary world media, has become their basic means of communication.<sup>9</sup>

While observing the considerations on the new developmental conditions, one notices that the emphasis is being put on the necessity of adjusting the economic strategies of large concerns to a man and to society, on the necessity of stopping treating them only as consumers. The concurrence of such an attitude with the new social doctrine of the Catholic Church, expressed mainly in the encyclical of John Paul II, “*Centesimos annos*” is quite striking.<sup>10</sup> Pope John Paul II points out that in order to solve the problems of the contemporary world and to create the proper perspectives for the development of mankind, in the situation of globalisation, the solidarity between people is especially important.

Farmers form one of those social groups that are consistently antiglobalist. In Europe, the French farmers are especially active in that respect. Beside the Peasant Confederation Bove, the Coordination for Citizen Control of the World Trade Organisation (CCCWTO) is particularly radical. Both organisations were active in Seattle and in Davos, and both demand “the imposition of the new, more just

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<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> “Wprost”, No. 8, February 20, 2000, p. 86.

<sup>10</sup> *Ibid.*

concept of the international trade”, co-operating at the same time with the leftist groups. The European farmers are supported by the associations of American farmers, owners of those family farms which are not able to cope with the price and productivity competition of so-called agrobusinesses. In fact, however, what drives the farmers’ protests on both sides of the Atlantic is the fear of competition and the fear of the loss of high subsidies as a result of growing, under the auspices of WTO, liberalisation in trade exchange and consequently broader opening of markets. This is particularly well seen within the European Union, where the reform of the Common Agricultural Policy, initiated during the Uruguay Round, is taking place.<sup>11</sup> In consequence, the Common Agricultural Policy is moving in the direction of a bigger liberalisation.

In the developing countries the desire to keep, at any price, the existing social relations, lies at the root of the protests against globalisation. In some cases the fundamentalist regimes are ready to do anything, including the destabilisation of their own countries, in order to stop integration and the beginnings of the co-operation with other countries. President of Mexico, Ernesto Zedillo, called the movement of WTO opponents “the opportunistic alliance of the extreme left, the extreme right, the green and the trade unions lobbyists”. In his opinion they see their common goal in “saving the developing countries from development”.<sup>12</sup> This is, however, a simplification which is going too far and which has been provoked by the noisy actions of extremists. In fact, just that type of noisy groups make the objective debate on real problems of globalisation very difficult. The non-governmental organisations, possessing well worked out techniques of lobbying, express their discontentment with that situation.

Globalisation, being an objective and all the time more and more universal phenomenon, should not develop in a spontaneous way. The financial crises that took place at the end of the nineties, especially in the industrialised countries of the Far East, confirm that opinion. Therefore, the control over the transnational corporations is necessary, especially the control carried on by such international organisations as WTO and International Monetary Fund.

The education of less educated societies is very important in the context of the globalisation process development. The experience shows that the transnational corporations are much more effective in the countries with a better educated population. This was especially clear when the comparisons of effectiveness were made between the countries of the Far East and of Africa. It turned out that the results achieved in Africa, that is, in the countries with the weakest education in the world, were much lower than in the Far East. Consequently, one can form

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<sup>11</sup> More on the subject: J. Rowiński, *Wspólna Polityka Rolna Unii Europejskiej*, Instytut Ekonomii Rolnictwa i Gospodarki Żywnościowej, Warszawa 2000, pp. 3–14.

<sup>12</sup> “Wprost”, No. 8, February 20, 2000, p. 89.

a conclusion that the foreign capital, especially of international character, is not inclined to invest in the countries with low level of education.

The problem of education in less developed countries in the situation of globalisation, and relevant problems of transnational corporations, of achieving economic effects and through this overcoming the economic under-development becomes the most important issue. That is why this issue should be included and particularly emphasised in the university handbooks for learning economics, from which so far it has been absent. In the globalisation situation, education – along with capital, land, organisation, management, and a human factor – is becoming a very important factor of the economic growth.

## 2. Changes in the globalisation processes after 11th September 2001

After the terrorist attacks on the World Trade Center in New York and on Pentagon in Washington the question arose: how will these attacks influence the perspectives of globalisation? In most general terms, this question may be answered by the statement saying that the actions directed against terrorism will slow down the globalisation and make it more costly.<sup>13</sup> It will be so because the terrorist threat will certainly result in bigger sums spend on all kinds of safety precautions. This is especially true in case of the safety of the managing staff of foreign firms, and in case of the free flow of people and goods which may decrease and ultimately influence the efficiency of the economic activity. Since the cost of the investment capital will be high, the return to the high levels of investments from the period of economic boom will be very difficult. In short, the golden years of the American prosperity and of its influence on the global economic growth passed their zenith point on 11th September 2001.

**Table 1.** Deepening of the already slower economic growth before and after 11th September 2001

	USA		Europe		Japan		Latin America		Asia without Japan	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Estimated GDP										
Before Sept. 11	1.3	2.7	1.8	2.5	-0.8	0.2	1.3	3.3	4.5	5.8
After Sept. 11	0.9	1.0	1.6	1.5	-0.9	-1.0	0.7	0.7	3.6	4.5

Source: "Business Week", October 22, 2001, p. 23.

Before 11th September 2001, the liberalisation tendencies involving the flow of goods, services, capital and labour force helped the development of the global

<sup>13</sup> "Business Week", October 22, 2001, p. 23.

trade and global investments, while the elimination of barriers influenced, in a beneficial way, the economic growth in the second half of the previous decade. The open global market stimulated the fast growth of the international trade, which increased from 18% in 1990 to 26% in the year 2000.<sup>14</sup> The globalisation stimulated the development of the investment capital, of technologies and enterprising. Low prices for consumers' goods were helping entrepreneurs to increase productivity, creating supply effects similar to those which appeared after the introduction of silicon to Silicon Valley (California) in the United States.

The new conditions for globalisation certainly will not bring about the disappearance of the world markets, the markets that are already quite well integrated. Nevertheless, the effects of the economic growth model, the one with high productivity and low inflation, characteristic for the nineties, will weaken. This will be caused by the fact that many firms will be forced to cover higher costs concerning the insurance and safety precautions for their overseas staff. Thorough border controls may seriously slow down the international transport, at the same time forcing the firms to implement all kinds of stock-taking.<sup>15</sup> Also there may arise the fears of the higher political risk, which might significantly narrow the new investment horizons for the firms. What previously caused the fast expansion of the international trade and of the capital flow may presently become substantially weaker, since the situation created the conditions for raising obstacles and barriers that might cause real tectonic changes in the global economy landscape.

When the cold war came to the end, promoting of economic interests became one of the basic tasks for the American diplomacy. At that time the United States tried primarily to export their own model of the open market. They were particularly active on the so-called emerging markets. At that time the safety priorities were defined by the conflicts in which that country was engaged. After 11th September 2001, the tendency to reduce new trade barriers significantly weakened, while the American foreign policy was being directed against all kinds of dangers. This became the dominant element of that new war. In the present situation, travelling, and especially travelling by air, has become most dangerous. Quite often, the border controls, during which vehicles are being opened and thoroughly checked, last several hours. They are particularly tiresome on the American-Mexican border, but this phenomenon is also very well known in other parts of the world, for example, in Europe. One might get an impression that America is closing down, that is a completely different country now.

Economically, the world is facing a new division. It should be pointed out that the new situation does not support the development of the world trade, especially when the signs of the slower economic growth are so clearly visible. The observers show that the global trade which in the year 2000 increased by 12.6%, in 2001 will

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<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*



increase only by 0.9%, while in 2002 by 2%.<sup>16</sup> This kind of the international trade development data mean a weaker economic growth.

Considering the reasons for that situation, first of all one should point out the problem of the high risk connected with high costs. Insurance costs, together with all kinds of antiterrorist undertakings, are particularly high. Higher costs of insuring white-collar employees is a good example in this respect. These costs are later reflected in the price of goods, which forces the firms to reconsider the localisation of their businesses. And the whole world may feel the effects of the decisions taken in that area.<sup>17</sup>

If the impediments on the borders become a reality and will accompany everyday activities, the particular firms will start buying more prudently, partly in order to lower the cost of transport. Hundreds of American firms, and the Mexican firms connected with them, from the largest car producers to IT and computer companies are making adaptive changes in their logistics.<sup>18</sup> Before 11th September in the worst scenario one might consider strikes organised by those who load the goods, or by the drivers from Brazil or France. However, the kind of precautions that are being taken nowadays have never been taken before, not even during the Gulf War.<sup>19</sup>

The present antiterrorist war may also be accompanied, in the United States, by tightening of the immigration policy. So far, broadening of the immigration played a key role in the success of the New Economy. It helped to lower the labour costs, directing the economy on the track of the fast and long-termed development without any clear signs of inflation. The legal immigrants, reaching two thirds of the record 14 million people of different nationalities in the nineties, constituted over 34% of the labour force growth of the United States of the last decade. About 30% of those employed in the Silicon Valley were ethnic Chinese and Hindu.<sup>20</sup>

This liberalised immigration policy of the United States belongs now to the past. Shortly, the United States will implement the rules of the increased border safety. The Congress is working on antiterrorist laws.<sup>21</sup> The economic boom of the late nineties would have probably never taken place, had it not been for that large wave of immigrants. The next quarter-century may be defined by the lack of qual-

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<sup>16</sup> *Ibid.*, p. 24.

<sup>17</sup> *Ibid.*

<sup>18</sup> Delphi Automotive System Corp., producer of car parts, functioning in 56 different places in Mexico, and forced to employ 200 trucks which cross the border each day, started to load his vehicles with smaller lots of parts and at the same time to send the trucks over with a higher frequency. If the waiting time on the border is too long the goods can be sent by plane, helicopter or by sea.

<sup>19</sup> "Business Week", October 22, 2001, p. 24.

<sup>20</sup> *Ibid.*

<sup>21</sup> It provides for the introduction of 334 border patrols. The policemen belonging to that force will guard the 4000 km long American-Canadian border and will turn back thousands of incoming persons, if they are not able to show a proper visa.

ified labour force, particularly in the area of the highest technology, since the American labour force is slowly getting old.<sup>22</sup>

This change in the American immigration policy is the reason why the firms expressing their attitude to globalisation declare that it is being weakened. And although they also declare that they are not going to change their investment plans, they still reduce the foreign investments which they have already started. Many firms begin home investments, especially when large capitals are involved. Nowadays the American corporations start their investment activities only in such countries as China, South Korea and Mexico, the countries which are considered by them to be stable and which show all the signs of the economic growth. Most Arabic countries, on the other hand, are regarded as dangerous. This also applies to parts of the Latin America and of South-East Asia, Indonesia and Philippines included. In these countries a number of investments will be delayed or even cancelled.

### 3. The beginning of the new round of negotiations on the international trade liberalisation

In the situation of the important challenge in the globalisation processes, also the actions of the World Trade Organisation are important. The fundamental purpose of the summit that started on 9th November 2001 in Doha, the capital of Qatar, was to organise the new global round of negotiations on further development of the international trade in the situation of the existing and future border obstacles. After the terrorist attacks, the biggest trade powers showed lots of determination in starting the negotiation for the first time within the WTO framework.<sup>23</sup>

The problems of agricultural products trade and anti-dumping procedures, that are so difficult to solve, caused the fears for the outcome of the meeting, on a ministerial level, of the member states representatives. In the new circumstances, it was not clear how many countries would be ready to apply the necessary means in order to stop that unfavourable situation and to eliminate its sources. It should be emphasised that in the nineties the situation for the open trade was ideal. However, at the beginning of the twenty first century it was safety that has become paramount. It has become the fundamental problem and the future global prosperity depends on it.

After six days of negotiations the member countries of WTO reached an agreement. The representatives of 144 countries, together with China, which joined WTO on 10th November 2001, and with Taiwan, accepted one day later, on 11th November, as China-Taipei, passed a declaration about starting a new, ninth

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<sup>22</sup> "Business Week", October 22, 2001, p. 25.

<sup>23</sup> *Ibid.*

round of negotiations on the liberalisation of the international trade.<sup>24</sup> The success of the talks was an important matter for WTO. If the new round on lifting the restrictions in the international exchange could not start, it would mean that WTO would not function as a forum for the world trade. It happened so in Seattle, in 1999, where the talks ended up with failure.

A similar situation could take place in Qatar. It is true that there were no demonstrations there, but the differences of opinions between member countries appeared to be very big. The country which, apart from India, had the biggest problem with signing the agreement was France.<sup>25</sup> It demanded that the issue of subsidies for the agricultural sector be crossed out from the program of negotiations. However, France was finally convinced by other developed countries, and the plan of negotiations was revised in such a way that it left hope, for France, that the talks on restricting subsidies in agriculture would be postponed.<sup>26</sup>

In consequence, the WTO countries sent a strong signal to the world economy meaning that the long lasting impasse on the new trade negotiations was finally overcome. Agreeing to a new round of negotiations, the representatives of the member countries let it be understood that they support the economic growth all over the world. At the same time, everybody was aware that it is only the beginning on the long way to eliminate the barriers in the international trade, also the new barriers that appeared after 11th September 2001. One can assume, however, that the new round of negotiations on the liberalisation of the international trade will last at least several years and it will take time before its effects could be clearly visible.

## 4. China's new role in the international trade

In the new circumstances for the development of the global economy and the global trade which result from the war against terrorism, the eyes of the world

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<sup>24</sup> China started its efforts to gain access to GATT/WTO in 1986. In the years 1999–2001, the negotiations accelerated. In 1999 China signed the trade agreement with the USA, and in the year 2000 with the European Union. In the same year the USA granted China the most favoured nation clause. See “Gazeta Wyborcza”, November 12, 2001.

<sup>25</sup> The representatives of 144 countries, members of WTO, were not able, until the very end, to convince India about the necessity of working out a common plan for new negotiations. India demanded a number of changes in the declaration, complaining that the subject matter and the structure of the new round favour wealthier countries at the cost of the developing ones. Although ultimately India did not support the proposal, the majority convinced her to abstain from voting on the new round plans. Lack of India's opposition, while the rest supported the declaration, meant that the declaration was accepted and the new round could start. If only one country vetoed it, the new round could not open, since, on this point, the WTO requires unanimous voting. Cf. “Gazeta Wyborcza”, November 15, 2001.

<sup>26</sup> See “Gazeta Wyborcza”, November 15, 2001.

have been turned to China. This country seems to be a production superpower, able to change the world trade. In many areas it possesses comparative advantages. First of all, there is lots of cheap labour force, millions of gifted engineers, and a well-developed infrastructure. In that context, the decisions from 17th September 2001, eliminating the last obstacles on the way of China to WTO, were particularly important.<sup>27</sup>

The access of China to WTO is a historical decision, the evidence of evolution which was taking place within that organisation, giving it a more universal, global form. This means also that it expands on a huge market which can open itself up for foreign competition. Consequently, the transnational corporations, from semi-conductors to the internet and passenger cars, will press strongly for the door to China to be opened wider. However, there are many problems to be solved in China itself. The country is undergoing the transformation towards the market economy. Gaining the economic balance is still very difficult. The United States and Great Britain are helping to introduce there so-called "market shock". The war against terrorism exerts a tremendous pressure on the world economy. Among other things, it accelerated the access of China to WTO, making this country part of the present world. It becomes obvious that also China has joined that war.<sup>28</sup>

In 2001, the Chinese thought that the restructuring process prepared the country for the formal access to WTO. The moment of the access will be the moment in which new trade rules become obligatory. In the next five years China will be eliminating all kinds of quotas and other non-tariff barriers that slow down the inflow of foreign goods. Customs duties which were lowered from 44% in 1992 to 15% in 2001 will be gradually reduced to an average of 9%.<sup>29</sup> Foreign banks will receive the right to introduce the foreign ownership in 100% of economic fields and the right to take in the deposits from the Chinese in their own currency.<sup>30</sup> Foreign telecommunication operators will be able to buy shares in the Chinese telecommunication network. Foreign car producers will be able to produce and sell any model the local car dealers and service networks wish to order. In such sectors as telecommunication and semiconductors, the sectors which China had been trying to protect during the previous decades, the imports became duty-free by the year 2005.<sup>31</sup>

Foreign investors are aware that after the rules of WTO have been accepted, they will be able to function in China in a relatively high safety, which is an important factor during the war conducted against terrorism. However, nobody expects that China will immediately introduce all the institutions supporting the rules

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<sup>27</sup> "Business Week", October 22, 2001, p. 40.

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*, p. 41.

<sup>30</sup> *Ibid.*, p. 42.

<sup>31</sup> *Ibid.*, p. 44.

of WTO. Anyway, the Chinese trade practice becomes more and more subjected to the anti-dumping rules, to the intellectual property rights and to other laws, accepted officially by Peking, as well as by the provinces, where the protection of the Chinese firms may still take place. The superior role of the communist party, manifested in the activity of its members, is still a challenge for the foreign investors.<sup>32</sup> It is very important that after the Chinese access to WTO the rules of that organisation will be given to all the interested parties in a written form. It is expected that this may be quite a shock for some.<sup>33</sup> They will be forced to abandon the old and to accept the new way of thinking, which is frequently connected with the change of mentality and this is not an easy thing and it requires time. However, the changes of that kind will have to take place, and the faster they happen, the better.

A question may arise: what exactly are Chinese doing to become an important production centre of the world? First of all they have young employees with higher education who earn \$1.50 a day and thousands of new employees entering the market every year. Many Chinese universities and institutes are still educating relatively lowly paid engineers. Besides, the price of land for an industrial firm is almost the cheapest in the world – it is \$25 for a square meter in Shanghai, which means half of the price in Kuala Lumpur and Bangkok and 60 times less than in Yokohama, Japan.<sup>34</sup>

**Table 2.** Comparison of selected costs between Shanghai and Yokohama (in dollars)

	Shanghai	Yokohama
Engineering staff pays/ per month	180–540	4.200–5.000
Factory workers' pays/ per month	125–270	3.300
Price of industrial land/ per square meter	25	1.539
Rent for a flat/ per square meter	24	31–36
Installing the telephone	152	650
Industrial electric power	0.07	0.14
Direct tax	30%	30%

Source: "Business Week", October 22, 2001, p. 56.

Telephone and port services, electric power and other elements of infrastructure, in the biggest key cities are the best in all the developing world. Chinese

<sup>32</sup> *Ibid.*

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*, p. 45.

bureaucrats, stimulated with the official grants, have become much more efficient and now they can be compared to their biggest rivals, that is, the bureaucrats of Thailand.<sup>35</sup>

In China one has to do with the same accumulation and a similar type support for industry to that which can be observed in case of her production rivals from Latin America and South-East Asia. The production of goods made from plastic, of spare parts for electronic equipment, such as radio sets, telephones, etc., is being particularly intensively developed. Such cities as Peking or Huangho manufacture and supply, on a global scale, electronic equipment of the world quality. Car manufacturing also develops very fast. The enterprises with mixed capital, of the joint venture type, produce in a particularly intensive way. Such Shanghai firms as Shanghai Automotive Industry Corp., which has a capital co-operation with Volkswagen and General Motors Corp., and Tianjin Automotive, co-operating with Toyota Motor Corp., belong to that group of enterprises.<sup>36</sup>

The Chinese successes lead to a more expensive labour force, and consequently different firms from the developing countries start offering a cheaper labour force, although not in large quantities so far. Even India, where wages are the lowest in the whole world, is not able to compete with the productivity of China in the area of low technology industrial goods. Hence, the shops of Bombay and Calcutta are filled with Chinese products.

In general opinion, as far as China is concerned, WTO is both a challenge and a chance. However, in case of agriculture, it is easy to see the challenge, while the chances are rather difficult to spot. The reason lies in the fact that the area of the Chinese farms most often does not exceed half a hectare, which means they are too small when compared with the American agricultural giants.<sup>37</sup> Nevertheless, during the last two decades the Chinese laid strong foundations for reforms. A long-termed stability of that country depends also on the fast economic growth, which is possible only when the foreigners become convinced that China is a partner able to play global roles. Both the world and China should be properly prepared for this.

China supports globalisation, declaring that it is the most efficient way of fighting poverty.<sup>38</sup> This country wants to be a part of a global world and it is aware that it must observe its laws. In 2001, China was the seventh biggest exporter and the eighth biggest importer in the world, and also the biggest, after only the United States, receiver of foreign investments. Due to China's access to WTO, her

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<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*, p. 46.

<sup>37</sup> *Ibid.*, p. 48.

<sup>38</sup> See "Gazeta Wyborcza", November 12, 2001.

share in the world trade will increase from 3% to 7% (in 1986 it was only 0.7%).<sup>39</sup> Membership in WTO means also the acceleration of the already implemented reforms. It is being estimated that by the year 2020 China will take the first position among the world powers.

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<sup>39</sup> *Ibid.*

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## World Trade Organisation (WTO) and the issues of further reductions of international trade barriers in the condition of globalisation

### Summary

The author analyses WTO's role in activities leading towards reducing trade barriers in conditions of globalisation. He underlines the organisation's achievements in reducing customs' barriers in the postwar economy, particularly in the last decade of the XXth century. In the article the author examines new aspects of globalisation process which started after 2001 as well as problems connected with the Doha round of WTO negotiations liberalizing international trade. The author scrutinizes the appearance of China as a new important actor in international economic relations.