



THE WTO'S INFLUENCE ON THE GLOBAL ECONOMY AND MODERN BUSINESS DYNAMICS¹

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Abstract:

Established in 1995 as the successor to the General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO) is a pivotal institution overseeing international trade. With 166 member nations representing more than 98% of worldwide commerce, the WTO aims to promote open and equitable trade by minimizing trade restrictions and settling conflicts. It fulfills a vital function in upholding compliance with trade regulations, particularly in protecting the interests of smaller economies, while addressing a broad spectrum of matters, including intellectual property rights and agricultural policies. Despite its contributions, the WTO encounters substantial obstacles, including adjusting to the digital economy, tackling climate change, and mitigating the resurgence of protectionist policies. Critics argue that its framework often benefits developed nations at the expense of developing countries, underscoring the need for reform. To maintain its efficiency and fairness, the WTO must update its mechanisms and regulatory frameworks. This study analyzes the organization's function in governing global trade, investigates the current challenges, and assesses proposed reforms designed to strengthen its significance and uphold equity among all member nations.

Keywords:

global commerce, cross-border relations, World Trade Organization, international marketplace, cooperative trade framework.

JEL Classification:

F2

INTRODUCTION

The World Trade Organization (WTO) has long served as the central institution governing international trade, shaping the terms of engagement between its 166 member states. Founded on January 1, 1995, as the successor to the General Agreement on Tariffs and Trade (GATT), the WTO has been instrumental in promoting open and equitable trade, minimizing trade restrictions, and adjudicating disputes to uphold adherence to global commitments (Radojević, 2022).

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With its member states representing over 98% of worldwide commerce, the WTO is a fundamental pillar of the international economic system (WTO, 2024).

As a guarantor of rule enforcement, the WTO fulfills a pivotal function for smaller economies, ensuring they are protected from unfair trade practices by larger powers and have entry to international marketplaces (Bjelić, 2002). Additionally, the institution engages with a diverse array of trade-related matters, encompassing intellectual property, services, and agriculture, thus influencing economic relations on a global scale.

Despite its foundational importance, the WTO faces a host of contemporary challenges. As global trade dynamics continue to evolve, the organization faces new challenges, including the digital economy, climate change, and the shifting landscape of labor rights. Furthermore, critiques persist regarding the WTO's tendency to disproportionately benefit developed nations and multinational corporations, often at the expense of developing countries. These criticisms highlight the urgent need for institutional reforms to enhance the WTO's relevance, equity, and effectiveness in a rapidly changing global environment.

This paper aims to critically assess the changing function of the WTO in the post-pandemic global economy, with a particular focus on its capacity to address emerging challenges and implement necessary reforms. The primary motivation of this study is to provide a comprehensive analysis of the WTO's current operations and explore how it can adapt to remain a key player in global trade governance. This paper is distinguished by its focus on the intersection of the WTO's traditional functions and contemporary challenges, notably the rise of digital trade, environmental sustainability, and shifting geopolitical tensions.

The contributions of this study lie in its exploration of the following questions:

- 1) How has the WTO contributed to global trade liberalization and economic development?
- 2) What are the primary challenges currently facing the WTO, particularly in relation to digital trade, environmental sustainability, and geopolitical shifts?
- 3) What reforms are necessary to enhance the WTO's effectiveness and ensure it can address modern global trade concerns?
- 4) How can the WTO create a more equitable and inclusive trade system, particularly for developing countries?

Through these questions, the paper assesses the WTO's current impact and contributes to the discourse on how the organization can evolve to meet the demands of the 21st century. It further aims to offer policy recommendations to ensure that the WTO remains a cornerstone of global trade governance, while addressing pressing issues, such as digitalization and climate change.

To address these questions, the study employs a qualitative methodology, drawing on a wide range of scholarly sources, institutional reports, and policy analyses. A comparative approach is used to assess the WTO's historical and contemporary performance, alongside examining case studies that illustrate the challenges and successes of trade reforms. By integrating theoretical perspectives and practical case analysis, this paper provides a balanced assessment of the WTO's evolution and potential future trajectories.



LITERATURE REVIEW

The WTO's role as a successor to the General Agreement on Tariffs and Trade (GATT) has been widely discussed in the literature. According to Hoekman and Kostecki (2009), the WTO provides a structured framework for trade liberalization, significantly reducing tariff and non-tariff barriers globally. Scholars such as Bhagwati (2004) argue that the WTO's multilateral agreements have contributed to economic globalization by ensuring predictability and stability in international trade.

However, the foundational role of the WTO is not without critique. Rodrik (2011) highlights that while the WTO has facilitated market access for developing countries, the benefits have not been uniformly distributed, often exacerbating inequalities within and between nations.

The WTO's rules and dispute-resolution mechanisms significantly impact contemporary business practices. Studies by Bown and Reynolds (2017) emphasize how the WTO's legal frameworks reduce uncertainty in cross-border trade, enabling businesses to expand their global operations. Additionally, the Trade Facilitation Agreement (TFA), which entered into force in 2017, has been lauded for reducing transaction costs and enhancing supply chain efficiency (Payosova *et al.*, 2018).

Conversely, scholars like Stiglitz (2006) and Baldwin (2016) argue that the WTO's emphasis on free trade often neglects broader social and environmental considerations, prompting businesses to prioritize cost-cutting measures that may undermine labor standards and ecological sustainability.

The WTO's role has been increasingly challenged by geopolitical tensions, the rise of regional trade agreements (RTAs), and digital transformation. According to Zangl *et al.* (2016), the proliferation of RTAs has led to a fragmentation of the global trade system, undermining the WTO's centrality. This is echoed by Limão (2016), who notes that regional and bilateral agreements often bypass the WTO, creating a complex web of trade rules.

The digital economy presents another significant challenge. Aaronson and Leblond (2018) highlight that the WTO's existing frameworks are ill-equipped to address issues like data flows, cybersecurity, and digital taxation. Efforts like the Joint Statement Initiative on E-Commerce indicate progress, but substantial gaps remain.

The COVID-19 pandemic has exposed vulnerabilities in global supply chains and reignited debates about the WTO's relevance. Baldwin and Freeman (2020) argue that the pandemic has underscored the need for multilateral cooperation to address trade disruptions and vaccine distribution. The WTO's Trade and Health Initiative has been a step in this direction, but critics like Evenett (2021) question its efficacy in ensuring equitable access to medical supplies.

Moreover, the pandemic has accelerated shifts towards protectionism, challenging the WTO's principles of open trade. Recent studies highlight the increasing use of export restrictions on essential goods, raising concerns about the WTO's ability to mitigate crisis-induced trade barriers (Hoekman, Fiorini, & Yildirim, 2022).

The evolving geopolitical landscape further complicates the WTO's role. Rising tensions between major economies, particularly the United States and China, have led to a growing preference for unilateral trade measures and selective decoupling from global supply chains (Evenett & Fritz, 2023). These developments have strained the WTO's dispute settlement mechanism, particularly after the Appellate Body was rendered inoperative in 2019 due to U.S. opposition (Lester, 2022). As a result, scholars argue that the WTO's capacity to enforce trade rules is weakening, necessitating urgent reform to restore its legitimacy and effectiveness.



Reform proposals for the WTO have been a central theme in contemporary research. Elsig *et al.* (2016) and Wolfe (2020) suggest that the WTO's decision-making processes need greater inclusivity and flexibility to address the concerns of both developed and developing countries. Furthermore, there is a growing consensus that the WTO must expand its mandate to address climate change, digital trade, and social equity (Jackson, 2008). Post-pandemic research emphasizes the need for resilient trade policies that can withstand future global shocks. Alschner (2022) advocates for a reconfiguration of WTO rules to incorporate crisis-response mechanisms that allow for rapid intervention in emergency situations, while maintaining long-term commitments to trade liberalization.

However, achieving consensus among 166 member states remains a significant hurdle. According to Narlikar (2020), the WTO's consensus-based decision-making often leads to stagnation, necessitating innovative approaches to governance and dispute resolution. Given the shifting trade landscape, recent studies suggest that the WTO may need to adopt a more flexible, plurilateral approach to negotiations, allowing smaller coalitions of willing members to advance agreements on pressing issues such as digital trade and environmental sustainability (Hoekman & Sabel, 2021).

THE FORMATION OF THE WTO

Origins of International Trade Cooperation: The General Agreement on Tariffs and Trade (GATT)

The International Trade Organization (ITO) was envisioned as the third institution of the Bretton Woods system, alongside the International Monetary Fund (IMF) and the World Bank, to promote global economic collaboration. Negotiations among 23 nations from 1946 to 1947 led to accords on tariff reductions and trade regulations (Rapačić, 2013). Despite the creation of the Havana Charter, intended to establish the ITO, it was never ratified by an adequate number of countries.

Despite being signed, the Havana Charter did not receive ratification from essential actors, including the U.S. Congress, thereby obstructing the formation of the ITO. Consequently, the General Agreement on Tariffs and Trade (GATT) was instituted in 1948, as a provisional framework to regulate international trade.

GATT primarily focused on reducing tariffs on industrial goods through multilateral negotiations (Rapačić, 2013). However, as global trade expanded to encompass areas such as services and intellectual property, GATT encountered significant limitations. These challenges ultimately led to the establishment of the World Trade Organization (WTO) in 1994 to provide a more comprehensive and institutionalized approach to regulating international trade.

The Uruguay Round Negotiations and the Development of the WTO

The General Agreement on Tariffs and Trade (GATT) underwent multiple rounds of negotiations, including the Kennedy, Tokyo, and Uruguay Rounds, all focused on reducing tariffs and addressing various trade-related issues. The Uruguay Round (1986–1994) was the most comprehensive, covering areas such as trade in services, intellectual property rights, and agricultural trade (Stakić, 2014). This round resulted in the creation of the World Trade Organization (WTO) on January 1, 1995. In contrast to GATT, which functioned as a provisional framework, the WTO became a permanent entity with a broader mandate. The WTO now oversees agreements such as the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).



Key Agreements and Milestones in WTO History

Since its establishment, the WTO has played a crucial role in shaping the regulation of international trade. A defining moment in its history was the initiation of the Doha Round in 2001, which sought to promote trade liberalization with a particular focus on the priorities of developing nations (Bagwell & Staiger, 2010). Although the round remains incomplete, it is still a central subject of discourse. In 2013, the WTO reached the Trade Facilitation Agreement, its first major multilateral treaty, aimed at reducing administrative obstacles and enhancing trade efficiency. Furthermore, the WTO addresses a broad spectrum of essential issues, including market access, subsidies, anti-dumping measures, and technical barriers. In this regard, it continuously adjusts its framework to respond to the evolving dynamics of the global economy and technological advancements.

ROLES AND FUNDAMENTAL PRINCIPLES OF THE WTO

The World Trade Organization (WTO) is in charge of overseeing and governing global trade through its various functions and principles. These functions are crucial for ensuring stability and predictability within the international trading framework, fostering equitable and transparent trade among its members. This section examines the WTO's activities in facilitating global commerce, resolving disputes, and supporting its members in achieving their trade objectives.

Core Responsibilities of the WTO

A core duty of the World Trade Organization (WTO) is to manage and supervise multilateral trade agreements. The WTO guarantees the execution and enforcement of these accords, which are negotiated among its member states. It is a forum for negotiating new trade agreements and evaluating and enhancing existing ones (Matsushita *et al.*, 2015). For instance, the WTO oversees the implementation of agreements such as the Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Trade Facilitation Agreement, and the General Agreement on Trade in Services (GATS).

The WTO also serves as a forum for negotiations aimed at trade liberalization and resolving other trade-related issues (Bjelić, 2017). Negotiations occur between member states to reduce tariffs, eliminate non-tariff barriers, regulate services trade, and address other aspects affecting international trade. These negotiations may be multilateral, for example, negotiation rounds, or bilateral between individual countries.

A critical function of the WTO is its dispute resolution system, which offers a formal procedure for settling disputes between member nations concerning trade agreements. This process involves consultations, the establishment of panels, and, when required, an appellate body, ensuring impartiality and openness while preventing unilateral punitive measures. Furthermore, the WTO tracks members' trade policies through periodic Trade Policy Reviews (TPRM), fostering transparency and collaboration. The organization also provides technical support and training to developing countries, assisting them in managing trade negotiations, implementing agreements, and strengthening institutional capacity to improve their participation in the global economy (Bjelić, 2017).



Key Principles of the WTO

The World Trade Organization's (WTO) core principles constitute the basis of its operational framework and direct international trade practices (Matsushita *et al.*, 2015). These principles guarantee uniformity, predictability, and fairness within the global trade system.

A key principle of the WTO is the Most-Favored-Nation (MFN) provision, which obligates a member to extend the same trade privileges to all other members. This implies that if a member offers a preferential tariff or advantage to one nation, it must provide identical terms to all WTO members. The MFN principle prevents discriminatory practices among members and ensures equitable conditions in international trade.

The National Treatment principle requires members to treat foreign goods, services, and intellectual property no less favorably than their domestic equivalents once they have entered the market. This principle fosters equity by granting foreign enterprises the same opportunities as domestic firms, thus deterring protectionism and ensuring a fair competitive environment for all.

Transparency is another fundamental principle, mandating members to reveal their trade policies and any changes that could impact international trade. Transparency enhances clarity in trade practices, reducing potential misunderstandings and minimizing the chances of conflicts.

Lastly, predictability and stability are vital for smooth international commerce. The WTO seeks to maintain a stable trading environment by enforcing clear and agreed-upon rules. This ensures that members cannot unilaterally withdraw from trade commitments, fostering an environment where businesses can plan and operate with greater certainty, ultimately supporting economic growth and development.

THE WTO'S CONTRIBUTION TO THE GLOBAL ECONOMIC SYSTEM

The World Trade Organization (WTO) plays a pivotal role in shaping the global economic structure by overseeing and facilitating international trade. Its operations significantly influence economic growth, the development of emerging markets, and the broader process of globalization. By enforcing its functions and principles, the WTO strives to establish a stable and predictable trading environment, which is essential for fostering economic prosperity and promoting global economic integration.

Promotion of Economic Growth

A primary goal of the WTO is to foster economic growth by advancing trade liberalization. By lowering trade barriers such as tariffs and quotas, the WTO facilitates expanded market access and improves the exchange of goods and services among nations. This liberalization enables countries to focus on production based on their comparative advantages, resulting in more efficient resource allocation and enhanced productivity (Howse, 2016).

As global trade grows, it can directly stimulate a country's economic development by boosting exports, thus generating additional income and increasing domestic output. Moreover, imports provide access to more affordable or superior-quality products, benefiting both consumers and enterprises. In this manner, trade openness can contribute to higher living standards and greater economic stability.



WTO's Impact on Trade Flows

Table 1. Global Trade Volumes (in Trillions USD)

Year	Exports	Imports
2015	16.0	16.2
2016	15.6	15.8
2019	19.0	19.1
2020	17.6	17.5
2023	22.4	22.2

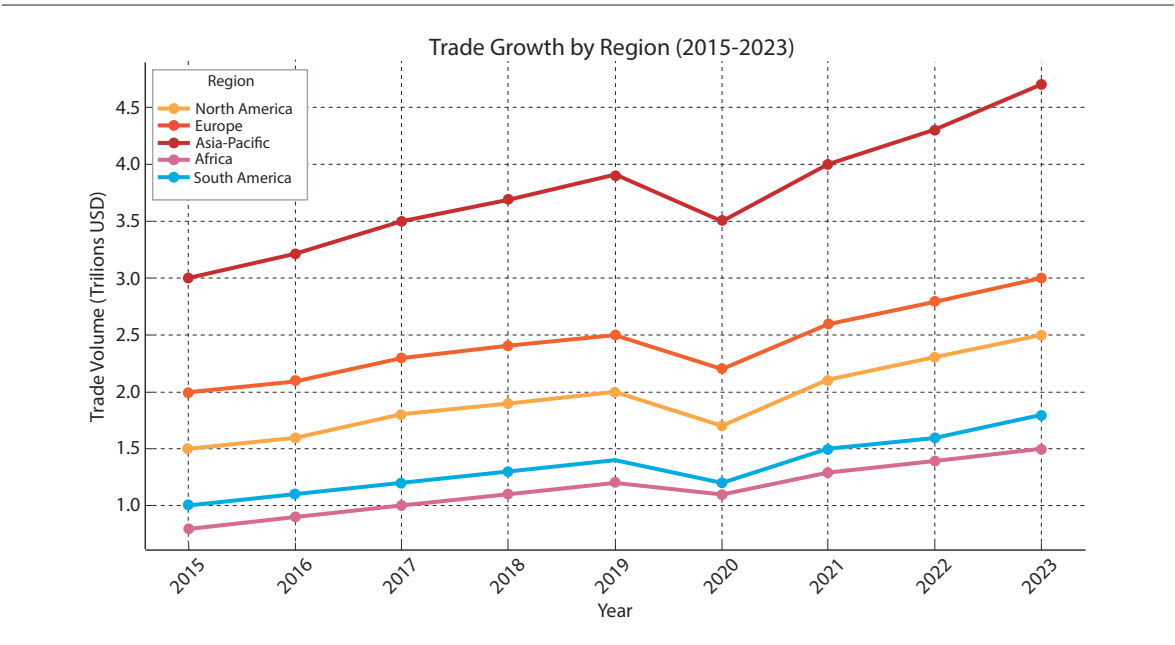
Source: https://www.wto.org/english/res_e/booksp_e/trade_outlook24_e.pdf

Table 1 illustrates the fluctuations in global trade volumes from 2015 to 2023, highlighting the dynamic nature of international trade. The period saw a steady rise in trade volumes until 2019, driven by economic expansion and increased globalization.

A significant decline was observed in 2020, reflecting the global economic disruption caused by the COVID-19 pandemic. This drop underscores the vulnerability of global trade to unforeseen crises. However, the recovery from 2021 onward showcases the resilience of the international trading system and the WTO's critical role in promoting trade continuity through policy interventions and support mechanisms.

By 2023, global trade volumes reached their highest levels, indicating a strong rebound. This growth aligns with the lifting of pandemic-induced restrictions, increased demand for goods and services, and advancements in supply chain efficiency. The data highlights the WTO's effectiveness in fostering an environment conducive to trade recovery and growth.

Figure 1. Trade Growth by Region (2015-2023)



Source: https://www.wto.org/english/res_e/booksp_e/trade_outlook24_e.pdf



Figure 1 showcases regional disparities in trade growth from 2015 to 2023. Asia-Pacific exhibits the most robust growth, driven by the region's manufacturing and export-oriented economies. The WTO's provisions for emerging markets, along with regional trade agreements, have facilitated this expansion.

Europe and North America demonstrate steady but moderate growth, reflecting mature economies with established trade infrastructures. Africa and South America, while showing slower initial growth, have displayed an upward trajectory in recent years, underscoring the potential of these regions as emerging trade hubs.

The data highlights the critical role of the WTO in supporting developing regions through capacity-building initiatives and trade facilitation measures. However, regional challenges such as infrastructure deficits and non-tariff barriers persist, requiring targeted interventions.

Effects on Developing Nations

The WTO plays a significant role in shaping the global trade environment for developing countries, which encounter distinct challenges. The organization works to integrate these nations into the global trading system by offering technical assistance and granting special and differential treatment. These provisions allow developing countries greater flexibility in implementing trade agreements and accessing the markets of developed nations without the requirement for reciprocal obligations.

Through various technical assistance programs, the WTO supports developing countries in building the necessary capacity to engage in trade negotiations, adopt trade policies, and adhere to international standards. This assistance is essential for enhancing their competitiveness in the global market and maximizing the benefits derived from trade.

However, some critics argue that the WTO disproportionately benefits developed nations, with developing countries continuing to encounter considerable challenges, such as restricted access to markets in advanced economies and unequal trade conditions. For instance, agricultural subsidies in developed nations impede and undermine the competitiveness of agricultural goods from developing countries. While the WTO seeks to foster development through trade, these issues underscore the necessity for continuous reforms to more effectively support the integration of developing countries into the global economy.

Contribution to the Globalization Process

Globalization, characterized by the increasing integration of economies, cultures, and politics across nations, has been significantly shaped by organizations like the WTO. The WTO creates regulations and benchmarks that enable international trade, fostering greater interconnectedness within the global economy. By encouraging trade liberalization, the WTO enhances the movement of goods, services, capital, and technology across nations (Baldwin, 2016).

This integration has significant economic and social implications. On one hand, it allows nations and businesses to access larger markets and advanced technologies, which can stimulate productivity growth and foster innovation (Deardorff & Stern, 2002). On the other hand, it may intensify economic disparities, with certain sectors or regions benefiting more, potentially resulting in social tensions and inequalities.



Additionally, the WTO plays a vital role in addressing the adverse effects of globalization, such as unfair trade practices, dumping, and infringements on intellectual property rights. Through its dispute resolution mechanism, the WTO enables countries to contest and resolve trade practices considered unjust, ensuring compliance with established trade regulations.

Criticisms and Challenges

Despite its many contributions, the WTO faces considerable criticism and various challenges. Detractors often argue that the WTO favors the interests of wealthier nations, frequently to the disadvantage of poorer and less-developed countries. Another area of concern is the WTO's negotiation process, which is perceived as slow and bureaucratic, limiting its ability to promptly address emerging issues such as the digital economy, climate change, and labor rights (Bagwell & Staiger, 2011).

A significant challenge for the WTO has been the unsuccessful Doha Round of negotiations, which sought to further liberalize trade and improve the economic position of developing economies. However, the round failed to meet its goals due to disagreements on critical issues such as agriculture and industrial tariffs. This failure has prompted questions regarding the WTO's future role in facilitating multilateral trade discussions.

ANALYSIS OF SPECIFIC CASES AND DISPUTES WITHIN THE WTO

The World Trade Organization (WTO) provides a platform for resolving disputes among member states. The WTO's dispute settlement mechanism allows countries to challenge measures by other members they consider incompatible with trade agreements and seek justice under international trade rules. Analyzing specific cases and disputes helps understanding how the WTO operates and evaluates its impact on international trade and relations among countries.

Dispute Resolution Mechanism

Table 2. WTO Disputes by Category (2015-2023)

Category	Number of Cases
Tariff Barriers	48
Non-Tariff Barriers	36
Intellectual Property	24
Services	18

Source: https://www.wto.org/english/res_e/booksp_e/trade_outlook24_e.pdf

Table 2 provides an overview of WTO disputes categorized by type between 2015 and 2023. Tariff barriers remain the most frequently contested issue, reflecting ongoing challenges in reducing traditional trade barriers despite multilateral agreements. These disputes underscore the importance of the WTO's efforts in promoting tariff reductions and ensuring compliance with agreed-upon schedules.



Non-tariff barriers (NTBs), including technical regulations and standards, account for the second-highest number of disputes. This trend highlights the increasing significance of NTBs in modern trade, as countries adopt measures to protect domestic industries or address public health and environmental concerns. Resolving such disputes often requires balancing trade facilitation with legitimate domestic objectives.

Intellectual property (IP) disputes represent a notable share, emphasizing the growing importance of IP in a knowledge-driven global economy. These cases often arise from disagreements over patent protections, copyrights, and trademarks, particularly in sectors such as pharmaceuticals and high - technology.

Services-related disputes, though fewer in number, reflect the complexities of liberalizing trade in services. These disputes often involve access restrictions, licensing requirements, and regulatory barriers, underscoring the need for clear and consistent global frameworks.

The data illustrates the WTO's pivotal role in providing a structured platform for resolving trade disputes, fostering trust among member states. However, the rising number of unresolved disputes indicates systemic challenges, such as delays in panel rulings and appeals, necessitating reforms in the dispute settlement mechanism.

Case Boeing vs. Airbus: Subsidies and Competition in the Aviation Industry

One of the most well-known and long-standing disputes within the WTO is the case between the United States and the European Union, referred to as the Boeing vs. Airbus case (WTO - Dispute settlement (2024)). This dispute revolves around mutual accusations of illegal subsidies allegedly distorting fair market competition in the aviation industry.

ACCUSATIONS AND DISPUTES

The United States accused the European Union of providing subsidies to Airbus that violated WTO rules, granting the company an unfair advantage in the market. These subsidies included favorable financing, research and development support, and other forms of assistance. Conversely, the European Union accused the United States of similar practices benefiting Boeing, asserting that the company gained an unfair advantage through research and development subsidies and tax breaks.

RULING AND IMPLICATIONS

After prolonged negotiations and investigations, the WTO ruled in favor of both parties, finding that both Airbus and Boeing received illegal subsidies. The WTO ruling mandated the removal of these subsidies to restore fair market competition. In cases of non-compliance, the WTO allowed countries to impose compensatory measures, such as tariffs on the other side's products.

This case highlighted the complexity of subsidy regulation and challenges in ensuring fair competition in highly competitive industries. It also demonstrated how the WTO can serve as a forum for resolving prolonged and complex disputes, although the process can be lengthy and demanding.



Case Shrimp-Turtle: Trade and Environmental Protection

Another significant dispute within the WTO is the Shrimp-Turtle case (WTO - Dispute settlement (2024)), initiated over a U.S. ban on shrimp imports caught without using technologies that prevent the incidental capture of endangered sea turtles. This case raised important questions about balancing free trade and environmental protection.

BACKGROUND OF THE DISPUTE

The United States banned shrimp imports caught without Turtle Excluder Devices (TEDs), devices that allow sea turtles to escape fishing nets. The measure aimed to protect endangered sea turtle species; however, exporting countries, including India, Malaysia, Pakistan, and Thailand, filed a complaint with the WTO, arguing the measure was discriminatory and incompatible with WTO rules.

DECISION AND SIGNIFICANCE

The WTO ruled that while the goal of environmental protection was legitimate, the United States' measures were not applied in a non-discriminatory manner. Specifically, the U.S. failed to provide technical assistance and technology to developing countries, making the measure unfair to them.

This case became a precedent regarding trade and environmental issues, demonstrating how the WTO balances objectives like global trade protection and environmental responsibility. It also emphasized the need for international cooperation and technical support to achieve global environmental goals.

Case Meat Hormones: Trade Barriers and Food Safety

The Meat Hormones case is another major WTO dispute (WTO - Dispute settlement (2024)) involving trade barriers and food safety concerns. The European Union banned meat treated with certain hormones, citing public health concerns, while the United States and Canada argued the bans were unjustified and represented trade barriers.

ARGUMENTS FROM BOTH SIDES

The European Union argued that certain hormones used in meat production could pose health risks to humans, justifying its ban on such imports. On the other hand, the United States and Canada contended that there was insufficient scientific evidence to support the ban, making it inconsistent with WTO rules.

DECISION AND IMPLICATIONS

The WTO ruled in favor of the United States and Canada, determining that the European Union had not provided sufficient scientific evidence to justify the ban. As a result, the WTO allowed the U.S. and Canada to impose compensatory measures, such as tariffs on EU products.



This case highlighted the complexity of issues involving food safety, scientific standards, and trade barriers. It also showed how the WTO can act as a platform for resolving disputes where trade interests clash with consumer protection concerns.

Case China-Rare Earth Minerals: Access to Natural Resources

The China-Rare Earth Minerals case addressed restrictions imposed by China on the export of rare earth minerals, essential for high-tech product manufacturing (WTO - Dispute settlement (2024)). Japan, the European Union and the United States argued that these restrictions constituted trade barriers undermining free trade.

BACKGROUND AND ARGUMENTS

China claimed that the export restrictions on rare earth minerals were introduced for environmental reasons and resource conservation. However, other countries argued that these measures were aimed at increasing rare earth mineral prices and ensuring a competitive advantage for Chinese companies utilizing these resources.

RULING AND IMPACT

The WTO ruled that China's export restrictions on rare earth minerals violated WTO rules, emphasizing that environmental reasons could not justify discrimination between domestic and foreign resource consumers. This decision significantly impacted the global rare earth minerals market and set an important precedent regarding access to natural resources.

Reforms and Future Challenges for the WTO

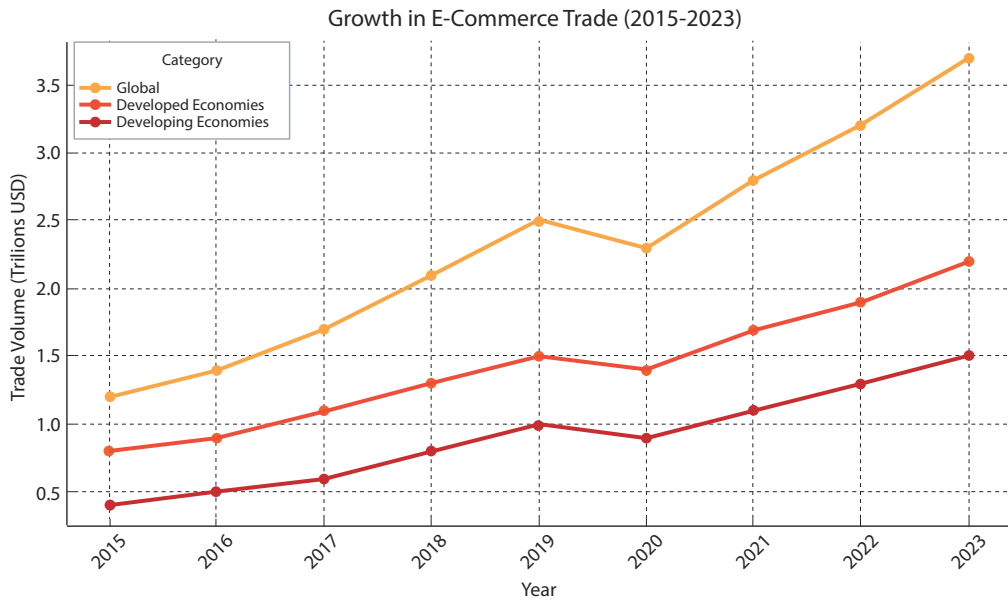
Since its inception, the World Trade Organization (WTO) has continually faced pressures to adapt and reform in order to remain effective and relevant in a rapidly evolving global economic landscape. Addressing emerging challenges such as the digital economy, climate change, and growing protectionism demands innovative strategies and the modernization of the organization. This section will examine the key reforms needed and the future obstacles that the WTO will need to confront.

The Need for Modernization

A major challenge for the WTO is overseeing and governing digital trade. With the rapid growth of e-commerce, concerns such as data protection, cybersecurity, and the taxation of digital products have gained heightened importance. The existing WTO framework does not adequately encompass the distinct characteristics of digital trade, requiring the creation of new regulations and standards to ensure fair and transparent digital commerce (Nenci, 2020).



Figure 2. Growth in E-Commerce Trade (2015-2023)



Source: https://www.wto.org/english/res_e/booksp_e/trade_outlook24_e.pdf

Figure 2 highlights the consistent upward trajectory of e-commerce trade from 2015 to 2023. Global e-commerce trade has grown significantly, with trade volumes nearly tripling over the period. Developed economies exhibit steady growth due to advanced digital infrastructure and mature markets. However, developing economies display a sharper growth curve, reflecting the rapid adoption of digital technologies and increasing internet penetration. Despite this, the trade volumes in developing economies remain lower than those in developed economies, pointing to ongoing challenges such as digital divides and limited access to global markets.

The WTO's initiatives, such as the Joint Statement Initiative on E-Commerce, have contributed to setting global standards for digital trade. Yet, regulatory disparities and uneven adoption of digital trade frameworks among member countries continue to pose barriers to seamless integration.

Climate Change and Environmental Standards

Climate change poses a significant challenge for the WTO, requiring the integration of environmental considerations into global trade policies. The organization has the potential to promote the trade of environment-friendly technologies and regulate harmful practices that adversely affect the environment. Future reforms could involve developing mechanisms to track and reduce the carbon footprint of products and services. Additionally, enhancing transparency and improving efficiency, particularly in negotiation and dispute resolution processes, is essential. Ensuring that all members, especially developing countries, are involved, and streamlining procedures with the help of digital tools, could allow the WTO to function more effectively and respond promptly to global challenges.



Strengthening Multilateralism

A central challenge for the WTO is restoring confidence in multilateral trade negotiations. The failure of the Doha Round underscored the difficulties in achieving consensus among diverse members with conflicting interests. Strengthening multilateralism necessitates increased flexibility and a readiness to compromise to reach common goals (Herbert, 2020). Furthermore, concentrating on smaller, more manageable issues can help build trust and lead to gradual progress toward more comprehensive agreements.

In addition to the multilateral approach, regional and bilateral trade agreements are becoming progressively significant. The WTO must identify methods to harmonize these agreements with multilateral regulations to prevent trade conflicts and the fragmentation of the global trading system. This involves recognizing and integrating regional agreements within the WTO framework, ensuring they align with the organization's overarching objectives of promoting open and equitable trade.

Tackling Protectionism

In recent years, protectionist policies have become increasingly widespread, with trade conflicts among major economic powers destabilizing the global trade system. The WTO plays an essential role in mediating and resolving such disputes through its dispute settlement mechanisms and promoting dialogue among its members. Restoring a more open and collaborative trade environment is crucial for the stability of the global economy.

One of the WTO's most significant challenges is to maintain a balance between national priorities and international trade regulations. Countries frequently implement protectionist measures to safeguard domestic industries and employment, which may conflict with WTO agreements. It is imperative to find solutions that protect legitimate national interests while ensuring compliance with global trade commitments to sustain equilibrium in international trade.

The WTO's Role in the Post-COVID Economy

The COVID-19 pandemic had a profound impact on global trade, causing disruptions in supply chains, reducing demand, and triggering economic downturns. In the post-pandemic recovery, the WTO will play a pivotal role in restoring and revitalizing international trade.

The WTO must assist its members in addressing the repercussions of the pandemic by promoting free trade and eliminating the remaining trade barriers. Cooperation with other global institutions will be essential in formulating a unified and all-encompassing recovery strategy.

The pandemic highlighted the vulnerability of global supply chains. The WTO can aid in fortifying these systems by promoting diversification of supply sources, enhancing logistical capacities, and fostering a stable trading environment. Building more flexible and resilient supply chains is essential to prevent future disruptions.

In the post-COVID recovery, the WTO must prioritize making global trade more inclusive and sustainable. This involves supporting small and medium-sized enterprises, promoting social equity, and integrating environmental standards into trade policies. A just and sustainable recovery will be crucial in fostering a more resilient and inclusive global economy.



EMERGING TRENDS AND FUTURE DIRECTIONS FOR THE WTO

As the global economic landscape evolves, the WTO must remain flexible and responsive to emerging challenges and opportunities. This section explores key future trends and offers recommendations to enhance the effectiveness of the organization. It will also highlight potential areas to focus on and strategies for reinforcing the multilateral trading system.

E-commerce and Technological Progress

As digital trade continues to gain prominence, the WTO must establish new global standards and regulations to govern this rapidly expanding sector (Reis *et al.*, 2021; Ochieng *et al.*, 2020). This includes addressing concerns related to data protection, privacy rights, transaction security, and the taxation of digital services. Developing comprehensive international guidelines will help reduce trade barriers and promote the growth of the digital economy.

The WTO is well-positioned to facilitate technological progress by promoting equitable trade rules and safeguarding intellectual property rights (Reis *et al.*, 2021). Research has shown that ICT infrastructure plays a crucial role in enhancing trade flows, making its development essential for global trade expansion (Ochieng *et al.*, 2020). By supporting innovation and ensuring the protection of intellectual property, the organization can contribute to maintaining global competitiveness and encouraging technological advancements worldwide.

Trade Relations and Sustainable Development

A key future goal for the WTO should be the integration of sustainability into international trade. This includes promoting trade in environmentally sustainable goods, advancing green technologies, and minimizing the environmental consequences of trade. The WTO must develop clear guidelines and frameworks to support its members in adopting sustainable trading practices. Additionally, research has demonstrated that strategic export diversification can drive economic development, as seen in Uzbekistan's efforts to harness international trade for growth (Rae & Tajekeev, 2023).

The WTO can play a crucial role in advancing the Sustainable Development Goals (SDGs) by enabling open and inclusive trade. This encompasses stimulating economic growth, alleviating poverty, ensuring access to vital services such as education and healthcare, and fostering environmental preservation. The organization should adopt strategies that empower nations to harness trade for the realization of these global objectives, drawing insights from cases where trade diversification has successfully contributed to economic advancement (Rae & Tajekeev, 2023).

Strengthening Multilateral Collaboration

Strengthening the negotiation process within the WTO is crucial for promoting enhanced multilateral cooperation. This necessitates improving transparency, inclusivity, and efficiency in discussions, as well as ensuring the active participation of smaller and developing countries (Qureshi, 2022). Developing innovative strategies for building consensus and expediting decision-making will be essential for enhancing the WTO's effectiveness.



The WTO should also deepen its collaboration with other international institutions, such as the International Monetary Fund (IMF), the World Bank, and the United Nations. Coordinated actions can address complex global challenges, including economic crises, climate change, and inequality. A comprehensive approach to these issues will be more successful if these organizations align their efforts.

Trade Rules and Social Equity

The WTO should integrate social standards and labor rights into its trade agreements (Bjorklund, 2021). This includes advocating for equitable labor practices, prohibiting child and forced labor, and promoting fair working conditions worldwide. The incorporation of such social standards will contribute to a more just and equitable global trade system.

A fundamental goal of the WTO should be addressing global disparities, particularly through trade policies that promote economic development in less developed countries and support marginalized groups. The WTO must formulate strategies to reduce inequality and promote inclusive economic growth.

Enhancing the Dispute Resolution Process

Reforming the dispute resolution system within the WTO is essential to enhance its efficiency. This entails expediting the resolution process, ensuring greater transparency and equity, and increasing its ability to address complex issues (Islam *et al.*, 2020). The WTO should consider exploring alternative dispute resolution methods, such as mediation and arbitration, to further improve its effectiveness.

With the rise of new types of disputes, particularly in digital trade and climate change, the WTO must adjust its framework to manage these issues effectively. This involves training specialists, revising regulations and procedures, and bolstering resources to tackle these emerging challenges. Strengthening the WTO's ability to address new disputes will be crucial in preserving the stability and predictability of global trade.

CONCLUSIONS

The World Trade Organization (WTO) plays a crucial role in shaping the dynamics of international trade and global economic policies. Its commitment to trade liberalization, support for developing nations, and regulation of globalization processes has been key in driving global economic growth and improving living standards worldwide. However, the WTO faces substantial challenges, including criticisms of disproportionately benefiting developed nations, delays in decision-making, and the urgent need for comprehensive reforms to address emerging global issues such as digital trade and climate change.

While the WTO has made significant contributions to developing countries through technical assistance and preferential treatment, it must overcome several obstacles to create a more equitable global trade system. Although globalization has brought notable economic and social advantages, it has also exacerbated disparities that require more effective interventions from the WTO, particularly in regulating unfair trade practices and strengthening multilateral negotiation frameworks.



To sustain its relevance, the WTO must continue its modernization efforts, especially in areas such as digital trade, environmental standards, transparency, and procedural efficiency. Reform is critical to enable the WTO to effectively confront contemporary challenges, including rising protectionist tendencies and the post-COVID economic recovery. The success of these reforms will determine the future sustainability of the WTO as the cornerstone of the multilateral trading system, which is essential for promoting sustainable development and fostering an inclusive global economy.

Future research should explore the effectiveness of WTO reforms in addressing the challenges of digital trade regulation, climate change policies, and the inclusion of developing countries in global value chains. Additionally, further studies could examine the WTO's role in mitigating protectionist measures and enhancing dispute resolution mechanisms to ensure a fairer and more transparent international trade system. Investigating the impact of regional trade agreements on the multilateral trading system and assessing potential strategies for strengthening WTO governance would also provide valuable insights into the organization's evolving role in global economic governance.

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UTICAJ STO NA GLOBALNU EKONOMIJU I SAVREMENU DINAMIKU POSLOVANJA

Rezime:

Osnovana 1995. godine kao nasljednik Opšteg sporazuma o carinama i trgovini (GATT), Svetska trgovinska organizacija (STO) je ključna institucija koja nadgleda međunarodnu trgovinu. Sa 166 zemalja članica koje predstavljaju više od 98% svetske trgovine, STO ima za cilj da promoviše otvorenu i pravičnu trgovinu minimiziranjem trgovinskih ograničenja i rešavanjem sukoba. Ona ispunjava vitalnu funkciju u održavanju usklađenosti sa trgovinskim propisima, posebno u zaštiti interesa manjih ekonomija, dok se bavi širokim spektrom pitanja, uključujući prava intelektualne svojine i poljoprivredne politike. Uprkos svom doprinosu, STO se susreće sa značajnim preprekama, uključujući prilagođavanje digitalnoj ekonomiji, suočavanje sa klimatskim promenama i ublažavanje ponovnog oživljavanja protekcionističkih politika. Kritičari tvrde da STO više koristi razvijenim zemljama nego zemljama u razvoju, naglašavajući potrebu za reformama. Da bi održala svoju efikasnost i pravičnost, STO mora da unapredi svoje mehanizme i regulatorne okvire. Ova studija analizira funkciju Organizacije u upravljanju globalnom trgovinom, istražuje trenutne izazove i procenjuje predložene reforme osmišljene da ojačaju njen značaj i podrže jednakost među svim zemljama članicama.

Ključne reči:

globalna trgovina,
prekogranični odnosi,
Svetska trgovinska organizacija,
međunarodno tržište,
kooperativni trgovinski okvir.

JEL klasifikacija:

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