World Trade Organization (WTO) and Development of Small and Medium Entreprises (SMEs)

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Abstract

This article analyses a sample of WTO agreements to see their impact on small and medium enterprises (SME), particularly of the developing countries. Many of the rules of the World Trade Organization on trade, subsidies, intellectual property, investment, and services protect the interests of rich countries and their powerful multinationals. Rules, regulations and policies used by developing countries for nurturing local small and medium industries and services are the targets of attacks of most of these agreements. Export subsidies, investment subsidies to small enterprises in backward areas, tax holidays, sales tax exemptions, concessions to weak and sick units and measures to rehabilitate sick enterprises and industry wise incentives are prohibited or actionable subsidies under SCM. The policies of import substitution and local content requirements have been banned under TRIMs. The intellectual property regime (TRIPs) is a subtle conspiracy against SMEs and denies the benefit of knowledge and innovation to developing societies. GATS denies any incentives, subsidies or privileges to small local service providers in the private sector. How the SMEs have been affected by the WTO subsidy regime is indicated by the widespread protest being raised by SME industry associations in the European Union countries.

Keywords : World Trade Organization, Small and Medium Entreprises, Developing countries.

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Introduction

Small is not beautiful ever since WTO was established. Critics allege that the WTO rules are written by and for large multinational corporations. The micro, small and medium enterprises play a critical role in the economic evolution of the developing countries. State interventions are imperative to protect and nurture these sectors as well as to provide them a 'level playing field' in a globalised market, dominated by multinational corporations. Policy initiatives of national governments to protect their SMEs are branded as impediments to international trade. WTO, as the apostle of free trade, continues its tirade and sanctions to subordinate national laws and industrial policies to its trade rules that favour large corporations. Small and Medium enterprises are the prime beneficiaries of industrial incentives, subsidies, export assistance and foreign investment regulations in most developing countries. And WTO targets the SMEs as the candidates for killing.

WTO and Third World Markets

Reduction in tariffs and non-tariff barriers to trade among the industrialized countries were the prime goals of GATT. However, the focus shifted from developed country markets to developing country markets during the last few decades of the twentieth century. GATT without any enforcement machinery was powerless to force open the developing country markets. Therefore, GATT was transformed into WTO.

International Trade Organization (ITO)

At the Bretton Woods conference, convened to establish IMF and the World Bank, a third pillar of global economic governance was also proposed – the International Trade Organization (ITO). Like the other two, the trade organisation too was sponsored by the United States. However, the ITO met with an early death at the hands of the U.S. Against the wishes of the United States, ITO's Havana Charter included p rovisions to protect domestic industries in developing countries. As the provisions of the ITO Havana Charter were against the larger interest of the United States, the U.S congress refused to ratify the ITO Charter, thus effectively killing the organisation. It took another five decades for the U.S. to re-establish an international trade organisation - The WTO - in its own interest and image.

GATT Trade Rounds

GATT was established in 1945 as a temporary arrangement to regulate international trade, until such time that an international organisation could be established. Eight major conferences, called trade rounds, were held under the auspices of GATT. The first five rounds (Geneva 1947, Annecy 1948, Torquay 1950, Geneva 1956 and Dillon 1960-61) were aimed at tariff reductions. In these rounds, held during the first two decades of its existence, members of GATT focused on negotiations aimed at reducing tariffs (taxes on imported goods). The sixth round held in Geneva (1964-67), named "the Kennedy Round" was aimed at anti-dumping and reduced industrial tariffs in the manufacturing sector among the industrial countries -U.S, European Economic Community, UK and Japan. The seventh round in Geneva (1973-79) named "the Tokyo Round" achieved substantial reduction in tariffs and non-tariff barriers to trade. Non-tariff barriers (NTBs) such as industrial subsidy, export credits and legislative codes and standards were introduced by governments facing depression due to the oil price hikes during 1970s. The average tariff on manufactured products was brought down to 4.7 per cent from 40 per cent at the time of GATT's creation. The eighth round, last and the most important (1986-1993) named "the Uruguay Round," saw the establishment of WTO.

GATT and Developing Countries

Throughout the history of the GATT, there has been a major recurring theme: that the developing countries have not been able to obtain their fair share of benefits from the trading system. Developed countries had followed the policy of preventing imports from developing countries - agricultural commodities and textile and clothing, in particular. The Report of Haberler Committee (1958), set up to study the complaints of developing countries, reported that high tariffs faced the exports of developing countries over a wide range of products - vegetable oils, coffee, tea, cocoa, jute products, cotton products, leather goods and a variety of sophisticated manufactured products.

The Multi-Fibre Arrangement (MFA) of 1973, introduced to restrict exports of cotton textiles from developing countries such as India, Pakistan, Sri Lanka and Hong Kong to the developed countries, illustrates how GATT legitimised big country barriers to developing country exports. Even at the end of the Tokyo Round (1979), twenty years after the Haberler Report, the trade barriers to commodities and products from developing countries remained more or less at the same level as the 1950s, and they have remained more or less at the same level even after the Uruguay Round.

Need to Replace GATT

By the early 1980s, the rich countries felt that the General Agreement was no longer as relevant to the realities of world trade as it had been in the previous decades. World trade had become far more complex; globalization of the world economy was underway; international investment was exploding; and trade in services and intellectual property - not covered by the rules of GATT - were of major interest to the advanced economies.

The GATT needed a replacement - more so because the U.S felt so. In spite of all the concessions demanded and obtained by the United States, GATT did not meet the U.S. expectations adequately. Tariff reduction and free trade meant that the U.S. now faced competition from the rejuvenated economies of Western Europe and Japan. The U.S. was baffled by the relative decline in U.S. international competitiveness. The Americans found themselves losing out in traditional U.S. core industries such as cars, consumer electronics, and textiles and apparel, although they still had an edge in non-traditional areas: high technology, pharmaceutical and communication systems. By the 1980s, it become clear that the international trade system the United State had formulated was no longer working solely in the interest of American corporations. The U.S. was also dissatisfied with the GATT's dispute resolutions process.

Crisis in Corporate Profitability

The final quarter of the 20th century was marked by a crisis in corporate profitability. The corporate sector was experiencing stagnation due to market constraints and limited investment opportunities. In the decade of the 1960s, the world economy grew at the rate of 5.0 percent. In the 1970s the real growth rate dropped to 3.6 percent. By the 1980s, the rate had dropped to 2.8 percent and continued this decline in the 1990s, when it fell to 2.0 percent.[1] Through the 1990s, the overall European unemployment rate remained in double digits, while the Japanese economy has been stagnating for a decade.

The industrialised countries have experienced much slower economic growth in the post-1980 period than during the 1950s and 1960s. During the 1960s, the OECD (Organisation for Economic Cooperation and Development) countries, for example, expanded at a rate of nearly 5 per cent a year. Between 1981 and 1990, the corresponding growth rate was 3.2 per cent. The economic growth rate declined further in the 1990s, i.e. about 1.5 per cent between 1991 and 1994.[2] The decline in economic growth in the recent period has not been due to the poor performance of just a few major countries, but has been more or less universal among OECD members: 18 out of 20 had a lower growth rate in the period 1980-1991 than between 1960 and 1971.

As a strategy for corporate survival, developed countries had to ensure markets and investment opportunities for their corporations in developing countries. Growing industrial development in third world countries, protection of infant industries in these nations, and their regulation on foreign investment offered serious threat to the survival and growth of corporations in developed countries. As a result, industrialised countries and their business lobbies have been making serious efforts to create a favourable investment climate in the Third World countries. Economic stagnation in advanced capitalist countries and the corporate profitability crisis have been the prime reasons behind the drive for investment treaties, pushed by the institutions of global governance.

Resistance by Developing Countries

Initially, developing countries were fairly united and did not want to enter into any new round until the earlier promises were met. The unity among the developing-countries was lost when Singapore used the opportunity of an Association of South-East Asian Nations (ASEAN) summit to convince other ASEAN members to agree to the U.S. demands for launching a new round, indicating the prospect that the ASEAN would get better market access.[3] Subsequently, the United States, Japan, Canada and the European Community began meeting with a group of developing countries, resulting in the Colombian-Swiss text for the 1986 Ministerial meeting at Punta del Este. At the same time, a group of developing countries, led by Brazil and India, stood up against such a round.

Marrakesh Agreement to Establish WTO

After seven and a half years of trade negotiations, the Uruguay Round negotiations were concluded in December 1993 and the Final Act of the Marrakesh Agreement was signed at the Marrakesh Ministerial meeting in 1994. It contained about 60 agreements and decisions, totalling around 550 pages. GATT chief Peter Sutherland had been pushing for a new institution to replace the GATT, and the Marrakesh Agreement established the World Trade Organization (WTO), with headquarters in Geneva. The Marrakesh Agreement, establishing WTO, with its annexed agreements, understandings and decisions, including GATT 1994, and a trade policy review mechanism for periodic "review" of the economic policies of countries, came into force on January 1, 1995.

When the Final Act of the Marrakesh Agreement was signed, few in the developing world, beyond members of a small circle of officials and policy-makers in the arena of trade, were fully aware of its implications. Most countries were unaware of the range of obligations that was being assumed, the obstacles to development and the restrictions on economic policies that countries could pursue.

Birth of a Super National Authority

GATT was not an international organisation, but an inter-governmental treaty. Instead of "member states," GATT had "contracting parties." But WTO is an international organisation that administers multilateral agreements. New issues such as services, intellectual property and investment measures expanded the WTO's authority to subjects beyond trade. Whereas the GATT system made multilateral rules that affected only tariff and non-tariff measures, many of the WTO's agreements involve the domestic policies of member countries. The 'trading system' has become invasive, and it now affects some of the critical domestic policies that lie at the heart of national development strategy.

WTO now restricts a country in subsidizing domestic industries and in adopting measures to encourage domestic firms and business; it prescribes the manner in which countries treat foreign investments and foreign investors; and it imposes on all member countries a minimum set of high standards for intellectual property protection.

On violation of any WTO regulation by a member country, an enforcement process is initiated and consensus of members is required, not to implement sanctions, but to prevent them. WTO's strong enforcement mechanism, involving an integrated dispute settlement system, enables not only retaliation by one member country against another for failing to meet its obligations, but also cross-sectoral retaliation. If a developing country seeks exemption to protect its industries or farmers from foreign competition, it faces coordinated, punitive trade sanctions from all WTO members.

In effect, GATT has been transformed from an ineffectual chamber of commerce into a super national agency for restructuring the world market in the commercial and financial interests of the leading powers. A treaty organisation has been converted into a powerful enforcement organisation that imposes and legislates, not just trading relations, but also the domestic property, tax and subsidy regimes of its members. The enforcement mechanism ensures not only that its rules are followed, but also that developed countries could use WTO as a vehicle through which policies in their interest can be disseminated and enforced.

Selected WTO Agreements and SMEs

This section attempts to analyze the significance of the major WTO agreements to the development of SMEs. The WTO agreements under review include:

1. Agreement on Subsidies and Countervailing Measures (SCM)
2. Agreement on Trade Related Aspects of Investment Measures (TRIMs)
3. Agreement on Trade-Related Intellectual Property Rights (TRIPs)
4. General Agreement on Trade in Services (GATS)

Subsidies and Countervailing Measures Agreement

The Subsidies and Countervailing Measures (SCM) Agreement establishes multilateral rules or disciplines regulating the provision of industrial subsidies. Specifically, it describes the kind of industrial subsidies which are prohibited and also the situations where subsidies are actionable and hence could be challenged by other countries. It further provides for the use of countervailing measures or duties by countries to counter illegal subsidisation by another country.

The SCM Agreement creates two basic categories of subsidies: those that are prohibited, those that are actionable (ie, subject to challenge in the WTO or to countervailing measures). All specific subsidies fall into one of these categories.

Prohibited subsidies

Two categories of subsidies are prohibited. The first category consists of 'export subsidies'. Hence, any subsidy whose payment to the recipient is directly linked to its export performance is a 'prohibited subsidy'. Examples of such subsidies are given in Annex 1 of the SCM Agreement).

The second category of prohibited subsidies consists of 'local content subsidies'. Any subsidy that gives preference or encourages the use of domestically-produced goods, either as intermediate goods or for any other purposes, over imported goods, is a prohibited subsidy under the SCM Agreement. Such a subsidy will discriminate against the imported goods and hence impair the benefits that may have accrued to an importing country.

Actionable subsidies

These subsidies are not prohibited; however, they are subject to challenge, either in the dispute settlement body of the WTO or through countervailing action (imposing countervailing duty). However, such an action against 'actionable' subsidies can be taken only if the following condition is satisfied: the subsidies cause adverse effects to the interests of another country.

Countervailing measures

An important components of the SCM Agreement is the provision to impose countervailing duties. A countervailing measure is a trade-remedial measure, just like antidumping duties or safeguard measures. Countervailing duties are also used in situations where there is distortion caused to the domestic industry of one country due to a practice (illegal subsidisation) followed by another country.

Subsidies usually provided to micro, small and medium enterprises in developing countries such as India come under prohibited or actionable subsidies. Investment subsidies to SSI units and enterprises in backward areas, tax holidays, sales tax exemptions, concessions to weak and sick units, measures to rehabilitate sick enterprises and industry wise incentives are examples of actionable subsidies. Incentives for investment in backward areas are also actionable. Such incentives by national, state or local governments or corporations or institutions under the government are not allowed. Export subsidies and incentives to all types of institutions, traditionally provided to SMEs and other enterprises in developing countries such as India have been banned.

Developed countries of today had used such subsidies earlier for the protection and development of their industries. These countries are now denying the same policy options to developing countries to nurture their 'infant industries.'

A proposal submitted by the Government of India to WRO regarding the Agreement on Subsidies and Countervailing Measures on June 07, 1999, pointed out the injustice: " The subsidies commonly used by developing countries for their industrialization and development have been included in the actionable or prohibited category, while those used by developed countries are in the non-actionable category. This is evidently not fair, particularly when viewed in the context of the fact that the subsidies presently being used by developing countries are exactly what were previously used as instruments of development by the developed countries of today. This demonstrates that these initiatives are indispensable for developing countries, especially those with small and vulnerable economies."

The Indian proposal to WTO makes another pertinent observation: "These subsidies can enable developing countries to strengthen their industrial sector and diversify their exportable product, thereby becoming active participators in international trade. Where used, measures such as these have had extremely effective results in the creation of new industries, the attraction of foreign investment, the creation of direct or indirect jobs, the improvement of trade balances, as well as the development of less advantaged areas, all of which have contributed progressively towards greater economic development and social stability."

Developed countries have been repeatedly bringing complaints for action against developing countries for providing incentives and subsidies. A recent example is the US complaint in 2007 against China for its several industrial subsidies.[4] Developed countries have in fact forced most developing countries (including India) to withdraw industrial subsidies and export incentives. Withdrawal of such subsidies and incentives has been detrimental to SMEs, particularly micro and small scale industry sectors.

How the SMEs have been affected by the WTO subsidy regime is indicated by the widespread protest being raised by SME industry associations in the European Union countries. For instance, small business leaders have been urging the UK's EU commissioner, Peter Mandelson, to press for an exemption to global trade rules which they claim are squeezing small firms out of the public procurement market. The Forum of Private Business (FPB), a lobby group which represents around 25,000 UK small firms, claims that their members should be able to benefit from an exemption to international trade rules, which forbid the favouring of small firms in government procurement tendering.

Trade Related Aspects of Investment Measures (TRIMs)

The Trade Related Aspects of Investment Measures (TRIMs)Agreement was formulated under the assumption that existing investment policies (measures) in several countries restrict and distort trade.

Prior to TRIMs, most countries had adopted policies designed to protect their economies from foreign competition by offering their domestic industries an opportunity to grow to meet international competition. The policy of development through import substitution imposed protective tariffs and subsidies for key industries. The SMEs have been the prime beneficiaries of such measures. Governments have often provided subsidies to local firms and imposed performance measures, such as local contents requirements to foreign investors, with a view to encourage investment in accordance with certain national priorities. These measures often required foreign investors to appoint local managers, to employ local workers in skilled positions, and to purchase inputs from domestic producers, as ways of ensuring technology transfers.[5] Measures were also adopted to restrict capital flows in order to increase the stability of currencies and to encourage both foreign corporations and citizens to invest within the country. The industrialised countries of today had imposed regulations on foreign companies to ensure that the new investments contributed to their long-term economic development.

TRIMs Agreement applies to trade in goods, not services. The agreement requires that member governments do not apply any measures (TRIMs) that are inconsistent with the provisions of GATT Articles III: National Treatment, and Article XI: General Elimination of Quantitative Restrictions (i.e. quotas). An illustrative list of disallowed investment measures (TRIMs), is appended to the agreement. This list includes: Local content requirements, specifying that governments cannot require the purchase or use by an enterprise of products of domestic origin or from any domestic source. Trade balancing requirements, demanding that governments cannot require that an enterprise's purchases or use of imported products be limited to an amount related to the volume or value of local products that it exports.

These are only examples of investment measures inconsistent with the agreement. Similar measures come under the purview of the agreement, as illustrated by the several disputes brought before the WTO panel and the verdicts on them. The TRIMs agreement requires countries to phase out such government policies.

A fundamental critique of TRIMs agreement is that the measures prohibited in the agreement are themselves essential policy instruments for industrialisation and development of Third World countries. The local content provisions in national policies favoured local SMEs.

The strategy behind TRIMs agreement is to curtail the policy options available to developing countries to protect and foster local industries and enterprises. The major challenge is that the agreement seriously curtails the authority of the nation state to formulate laws and policies for the development of micro, small and medium enterprises. The TRIMs agreement specifies that any national laws or regulations that are not in consonance with its provisions need to be removed, and that the offending nations shall be punished with trade sanctions.

The TRIMs agreement seeks to remove the rights and powers of governments to regulate foreign investments. The agreement further aims at facilitating investments by multinationals in the Third World, ensuring at the same time that these foreign companies get national treatment in the host countries. The strategic options include unfettered foreign investment opportunities for multinationals in developing countries in order to pre-empt the development of local industries.

Agreement on Trade-Related Intellectual Property Rights (TRIPs)

The aim of the Agreement on Trade-Related Intellectual Property Rights (TRIPs) is to establish and institutionalize a worldwide intellectual property regime to protect the market interests of corporations in the developed countries, which enjoy monopoly in science and technology.

The proclaimed aim of TRIPs is to strengthen and harmonise the protection of intellectual property rights at the global level. The TRIPs agreement covers both industrial property and literary and artistic property. While the first one deals with trademarks, patents, geographical indications, industrial designs, layout-designs and trade secrets, the latter covers copyright and related rights. The Agreement emphasises the idea that intellectual property rights are private rights, and they should be given effective and adequate protection to reduce "distortions and impediments" in international trade. TRIPs established a uniform set of standards for all countries, without giving due consideration to their level of development in socioeconomic conditions and technological evolution. It requires all WTO members to adopt in their national laws certain minimum standards for protecting and enforcing all forms of intellectual property rights.

Many developing countries had tried to resist the introduction of IPRs as a subject in the Uruguay Round. The TRIPs negotiations were thrust upon the developing countries with the U.S. threat of trade sanctions under 'Special 301.' The U.S. government has made the rigorous enforcement of intellectual property rights (IPRs) a top priority of its foreign policy. For example, the U.S. unilaterally imposed import duties on $260 million of Argentine exports in 1997, in retaliation for Argentina's refusal to rewrite its patent legislation to the satisfaction of the U.S. Many countries, such as India, Pakistan, Ethiopia and Brazil, have similarly faced Super 301 threats for their patent laws. The U.S. has also made it clear to other governments that the TRIPs is not sufficient, and in every ongoing trade negotiation, the U.S. is seeking stronger "TRIPs-plus" terms.

Industrialised countries had two primary motives in pressing for TRIPs negotiations under GATT. First, the WTO regime will protect developed country exports through patents and other protective instruments from potential competition by way of domestic production in Third World countries. Second, countries refusing to comply with TRIPs standards could be subjected to trade retaliation by invoking dispute settlement mechanism of the WTO.

Developing countries are overwhelmingly dependent on innovations made in the developed countries. Almost all intellectual property is in the hands of the developed countries. It is estimated that industrialised countries hold 97% of all patents, multinational corporations 90% of all technology and product patents, while developing countries have few inventors; the are mostly users.

Allen Freeman observes: "IPRS have as much to do with trade liberalisation as the free transport of slaves...They are an absolute monopoly of the advanced countries: 0.16 per cent of world patents are currently owned by Third World residents.There is already a wide technological gap between rich and poor countries. TRIPs will exacerbate the technological divide. The effect of the 20 year period of a patent protection is to basically deny others from developing alternatives that would be cheaper.[6]

The TRIPs regime effectively curtails the industrialisation efforts of developing countries. The process of industrialisation by imitation has been forbidden. Historically, technology transfer played a key role in industrialisation, and a large part of this transfer took place through firms learning, adapting and modifying through reverse engineering the technologies used by others.

The economic history of the industrialised countries bears ample testimony. A significant factor in their industrial take-off was the relatively easy access to cutting-edge technology. The US industrialized, to a great extent by using but paying very little for British manufacturing innovations, as did the

Germans. Japan industrialized by liberally borrowing US technological innovations, but barely compensating the Americans for this. And the Koreans industrialized by copying quite liberally and with little payment US and Japanese product and process technologies. This process of 'technological diffusion' used by developed countries yesterday has become 'piracy' today.

Small and medium enterprises in developing countries that wish to make use a patented technology need permission from the patent holder, who do not grant the permission in critical industries, even if technology fees and expensive royalties are offered. Technology holders prefer to sell in foreign markets finished goods at premium prices, rather than technology. If they are willing to transfer the technology, the cost is generally very high, making it impossible for most SMEs to acquire such new technology.

Technology adoption has been an essential element in the industrialisation of the developed countries, and the agreement denies the opportunity to developing countries. The agreement is protectionist by design, and is not guided by the need to make technologies available on favourable terms to developing countries. The TRIPs agreement is meant to perpetuate technological dependence and obstruct the development of Third World countries, thus widening the knowledge and development gaps.[7]

The intellectual property regime (TRIPs) under WTO is a subtle conspiracy not only against SMEs but also against the developing world. It denies the benefit of knowledge and innovation to developing societies that are striving hard to nurture local production of essential goods for consumption and human survival. It provides at the same time unfettered freedom and privileges to greedy corporations to charge exorbitant prices for products and technology.

The purpose of TRIPs is not to promote free trade, but to enhance monopoly power. TRIPs goes beyond compensating innovators to institutionalise a monopoly for high-tech corporate innovators, most of them from the developed countries. Among other things, TRIPs provides a generalised minimum patent protection of 20 years; institutes draconian border regulations against products judged to be violating intellectual property rights; and contrary to the judicial principle of presuming innocence until proven guilty, places the burden of proof on the presumed violator of process patents. What TRIPs does is reinforce the monopolistic or oligopolistic position of U.S. high tech firms such as Microsoft and Intel.[8] It consolidates the U.S. advantage in the cutting-edge knowledge-intensive industries.

The TRIPs agreement promotes monopoly by transnational corporations; prevents access to essential medicines and other goods to the poor; leads to private appropriation of indigenous knowledge and life forms. Most developing countries have in the past exempted agriculture, medicines and other essential products and processes from their national patent laws, but TRIPs regime has changed the situation. TRIPs is a protectionist device, and should have no place in an organisation that is supposed to be committed to liberalization. There is a growing demand from some eminent economists and from several NGOs to take the TRIPs agreement out of WTO altogether.[9]

General Agreement on Trade in Services (GATS)

Another WTO agreement that affect small and medium enterprises in the service sector is the General Agreement on Trade in Services (GATS). GATS makes it mandatory for WTO member countries to open markets in specific service sectors to foreign companies and to provide national treatment to these corporations. The agreement covers all services - education, health care, electricity, water, sanitation, banking, tele-communications, tourism, professional services, and so on. GATS is hostile to public services, treating them as, at best, missed commercial opportunities and, at worst, unfair competition or barriers to entry for foreign service providers.[10] The agreement further establishes the basis for progressive privatization in all service areas through successive rounds of negotiations. Once a country has made a commitment, the commitment cannot be withdrawn, unless the government agrees to provide compensation to the affected foreign corporation. The agreement calls for 'disciplining governments.'

GATS further denies any incentives, subsidies or privileges to local service providers in the private sector. Such assistance for protection and development of local service providers would be treated as discriminatory. The foreign corporations can go to the court and claim damages for violation of their rights and for lost profit if any rules of the country or local government affect their business.

Many service sectors in Third World countries are still in a formative stage, and they hardly have any supply capacity to provide services to the developed countries. The supply capacity lies almost entirely in the rich countries. The agreement, therefore, is in the interest of developed countries and their large corporations.

The aim of GATS is to remove all entry barriers into public services, traditionally provided by the government. Once these sectors are opened up to private enterprises, foreign operators can enter. By preventing state patronages to local service providers - most of them in the SME sector - the GATS paves the way for domination of local service sectors, much to the detriment of local small and medium enterprises.

Delivery of services normally occurs within a country and therefore GATS targets domestic laws, regulations and policies that discriminate against foreign service providers or limit their profitability. The agreement constitutes a serious threat to democracy.

Above all, on behalf of the multinationals, the U.S., Japan, the European Union and Canada are pressing developing countries for guaranteed, irreversible access to more service sector markets. GATS is forcing poor countries to privatise essential public services such as health care, education, electricity and drinking water. The poor, who are least able to pay for vital services, are the ones who suffer the most. In reality, the GATS agreement has little to do with trade. Instead, it focuses on granting foreign companies new rights and privileges within the boundaries of Third World countries. Local SMEs in service sectors in developing countries would be the major casualties.

Conclusion

Although supposedly a democratic institution, the WTO is dominated by the leading industrialized countries and by the corporations of these countries. Developing countries have little power within the WTO framework. The development goals articulated in the Havana Charter, the original framework for WTO, have been put aside. Powerful transnational companies are left free to engage in trade, investment and employment practices which contribute to poverty and insecurity. Many of the rules of the World Trade Organisation on trade, subsidies, intellectual property, investment, and services protect the interests of rich countries and powerful multinationals, while imposing high costs on developing countries.

The primary purpose of these WTO agreements is to open up developing country markets for developed country corporations. Rules, regulations and policies used by developing countries for nurturing local small and medium industries, agriculture, and service sectors are the targets of attacks of all these agreements. The IPRs regime under WTO is meant to deny the benefit of science and technology for the development of Third World countries and to consolidate technological supremacy of developed country corporations. TRIMs will dismantle industrial policies in Third World countries meant to promote local industry, particularly small and medium industries, and will remove all barriers to investment by foreign corporations. GATS is meant to take over the growing markets for services in developing countries, including essential public services traditionally provided by national and local governments, and to nip in the bud the emerging service enterprises in the small and medium sectors, by abolishing local laws and regulations that favour local, small and public sector service providers.

The economic paradigms of WTO actually represent the values and interests of global corporations. WTO maintains that these values should supersede all other values. Any obstacle to global trade is viewed with suspicion. These "obstacles" are actually the laws of nation-states, laws meant to protect small businesses, environment, human rights, farmers, consumers and labour; they are meant to guard national sovereignty and democracy. The WTO views these as possible impediments to "free trade," and they become subject to challenge within closed WTO tribunals. Unlike other global bodies such as the UN, the WTO enjoys unique enforcement powers. Offending countries must conform to WTO rules, or face harsh sanctions.

The final test of the WTO's success and survival will not be the volume of world trade or the extent to which trade barriers have been lowered, but whether and to what extent living conditions in all nations - particularly the developing countries, which constitute three-fourths of its members - have improved. However, the current bias towards rich countries and their corporations raises fundamental questions about the legitimacy of WTO.

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