

# ***Analyzing WTO's Path to Balancing Developing and Developed Countries in Globalization: A Study Based on Cross-Domain Rule Interaction Theory***

**Wenchang Zhao<sup>1,a,\*</sup>**

<sup>1</sup>*Shandong University, Shandong, China*  
*a. amandazhao@mail.sdu.edu.cn*

*\*corresponding author*

**Abstract:** The World Trade Organization was established to support cooperation in trade policy to achieve common economic goals. In the area of cross-rule interaction, however, international competition has intensified, making it difficult for the WTO to balance the responsibilities and obligations, and the costs and benefits, of developed and developing countries. The governance of the international economic and trade system has fallen into a new dilemma, with the gradual rise of minorilateralism and bilateral trade conflicts causing cracks in globalization. Based on this, this paper will analyze the drivers of the current dilemma faced by the WTO and provide suggestions for a balanced approach. At present, the rules of global economic and trade governance are lagging behind the needs of the new international trade model, as the WTO has not clearly apportioned the responsibilities and obligations to be borne by the countries of the South and the North and is facing a crisis of legitimacy in its dispute settlement mechanism. Therefore, WTO needs to strengthen its internal mechanisms as well as its organizational functioning to assign obligations to States on a case-by-case basis. In addition, the WTO should clarify its economic and trade policies according to different areas and strive to make the multilateral trading system more equitable and fair.

**Keywords:** WTO, globalization, international organization, international economics and trade.

## **1. Introduction**

Unlike the package deal approach to negotiations, some scholars advocate promoting the implementation of an open plurilateral agreement by reforming the WTO's "consensus" approach to decision-making [1]. According to scholar Bai Fangyan, the legitimacy of the open plurilateral agreement and its interface with the WTO multilateral system is the core issue for the survival of the open plurilateral agreement under the WTO. However, in recent years, the legitimacy of open plurilateral agreements represented by the Joint Declaration Initiative has been questioned [2]. As the development of economic globalization slows down and the international economic and trade governance system is in trouble, how to deal with the status of developing countries and special and differential treatment in the WTO, and how to better balance the economic and trade relations between developing countries and developed countries are still issues that need to be resolved urgently. Based on this, the author to the WTO in the open plurilateral agreement and the multilateral system in the

implementation process of the existing interface problems as a starting point, with the help of cross-sectoral rules of interaction and the effectiveness of global governance theory from the international economic and trade situation, the internal mechanism set up the dilemma and the external mode of international trade in three aspects of the analysis of the WTO is in trouble in the intrinsic causes, and It also puts forward suggestions on how the WTO can balance the objectivity of North and South countries.

## **2. WTO's Open Plurilateral Agreements and the Multilateral System**

Plurilateral agreements in the field of trade and economics refer to agreements initiated by three or more economies to establish trade rules and liberalize trade [3]. Article 14, paragraph 4, of the Marrakesh Agreement Establishing the World Trade Organization states that the entry into force of plurilateral agreements shall be regulated and organized by their provisions, which shall be deposited with the Director-General of the World Trade Organization [4].

In terms of concrete practice, the interface between the existing plurilateral agreements and the WTO multilateral system has been reflected in the multilateralization of the Agreement on Government Procurement (GPA), the Information Technology Agreement (ITA) and the Tokyo Round plurilateral agreements. Since the enactment of the GPA, it was initially composed of mostly developed countries, but later more and more developing countries joined, showing a diversified trend of subjects. In addition, the Information Technology Agreement (ITA), which is the key majority agreement, has been open to membership, and members have continued to reduce tariffs on IT products covered by ITA, which has led to an increase in the prosperity of global financial services and basic telecommunication services. The diversification of plurilateral agreements in the Tokyo Round is a product of the Empowerment Clause between the South and the North, which allows developing members to make a lower level of commitments. Overall, the WTO attaches great importance to the interface between plurilateral agreements and multilateral trade, especially in terms of the benefits to developing countries.

Although the WTO has contributed to the practice of open plurilateral agreements, due to the complexity and unpredictability of economic and trade issues in the context of globalization, the relevance of the existing interface between open plurilateral agreements, represented by the Joint Declaration Initiative, and the multilateral system of the WTO is open to question.

## **3. Cause of the WTO Dilemma**

Against the backdrop of setbacks in the multilateral process and competition among major powers, small multilateralism has begun to prevail, and in the field of international trade and economic cooperation, important links in key industries have been monopolized by a few countries or regions, which has led to an increase in the influence of small multilateralism on changes in the layout of the relevant supply chains and on rulemaking. In addition, the path of small multilateralism can be categorized into open and closed [5]. Based on this background, this paper takes the theory of cross-rule area interaction as a starting point to analyze the causes of the predicament from the internal mechanism pattern of the WTO and the external international trade pattern

### **3.1. Elaboration of Theory**

The core connotation of the global governance system is the international system of institutions, and organizations and rules are the core components of the international system of institutions. According to Robert Keohane, rules are more specialized in the study of international monetary relations, specify the rights and obligations of members in greater detail, and are more susceptible to change than principles and norms [6]. At the same time, when rules interact, different rules create linkages within

the same issue area or between different issue areas. Turning back to the WTO, its Agreement on Agriculture and Agreement on the Application of Sanitary and Phytosanitary Measures have established a broad linkage with food security by placing food governance under WTO binding international law. This example is a vivid illustration of the cross-cutting interaction of rules within the WTO [7].

### 3.2. Changes in Economic and Trade Patterns

With the differences and strategic competition between China and the United States in recent years, the global economic and trade landscape has undergone subtle changes, and minorilateralism, which affects multilateralism, has taken two paths: open and closed. After the setback of the Doha Round negotiations, the WTO held its 11th Ministerial Conference in Buenos Aires, and started negotiations on issues such as electronic commerce, which was later summarized as the Joint Declaration Initiative. Unlike plurilateral agreements, which have been characterized as a practice of minorilateralism, the Joint Declaration Initiative is more open, emphasizes rule-making, and will benefit other members in the form of most-favored-nation treatment. However, we need to see is that, whether the joint statement initiative as a representative of the open path or the Indo-Pacific economic framework as a representative of the closed path, it will inevitably fall into the big country centrism, resulting in the WTO members of the cross-cutting rules of interaction between the major powers cannot be separated from the major powers to participate in the final agreement reached. The final agreement is still a reflection of the will of the big powers. While WTO has effectively monitored the implementation of the multilateral agreements concluded during the Uruguay Round, WTO members have not managed to conclude new agreements, such as the Agreement on Trade Facilitation and the Agreement on Information Technology, to efficiently liberalize trade in goods and services [8].

### 3.3. Internal Mechanism Setup Dilemma

The prosperous development of information technology and the popularization of the Internet have accelerated the pace of the fourth industrial revolution. In the global production and trade pattern, value chain trade, represented by two-way cross-border flows of goods, investment, services, know-how and people, has gradually increased its proportion in international trade. The cross-domain rules interaction theory regards output, behavior, and outcome as three criteria for judging the effectiveness of WTO governance. And according to the official data of the WTO from 2001-2014, the contribution of trade in intermediate goods to the growth of the total value of exports of trade in goods is significantly larger than the contribution of trade in final goods to the total value of exports of trade in goods. This undoubtedly indicates that the adoption of strong regulatory measures on trade in goods has slowed down international trade and cross-border capital flows among WTO member countries.

In addition, there are deficiencies in the institutional setup of the WTO, which are mainly reflected in the mechanism setup and capacity building. As an important mechanism that came into being, the notification is obliged to make up for the objective institutional deficiencies of FTAs/RTAs, and the official data of the WTO show that the number of notifications submitted by member states has increased from 1,248 in 1995 to 9,426 in 2021, but the effective number of notifications does not account for a high proportion. The root of the problem is that the WTO has not clearly defined the specific information and official format of the notifications, which shows that there are still deficiencies in the mechanism set up by the WTO. In addition, from the perspective of giving full play to the function of capacity building assistance, the WTO 's existing special and differential treatment adopts a one-size-fits-all model and does not clearly apportion the responsibilities and obligations that should be borne by countries in the South and the North. Therefore, the effectiveness

of the WTO's governance in terms of special and differential treatment provisions is still open to question.

### **3.4. External International Trade Patterns**

The trade dispute settlement mechanism of the WTO mainly includes the following aspects: the dispute settlement body, the appellate body and the panel of experts. Since 2019, the external pressure on the WTO has been increasing, and the trade dispute settlement mechanism, which is the main means of resolving trade disputes among member countries, is in trouble and facing a serious legitimacy crisis. In fact, the main cause of the legitimacy crisis is the hegemonic challenge from the United States. Based on the premise of impaired relative gains, the United States is neither able to decide to withdraw completely from the WTO, nor can it fully dominate the reform of the WTO and the reshaping of the world's economic and trade rules. Therefore, the United States to make a step back, through the abuse of power to make the WTO dispute settlement mechanism suspended, to avoid any possible damage to the interests of their own risk, forcing the WTO to make the hegemonic interests of the reform, highlighting the lack of WTO to maintain the normal operation of international trade and organizational resilience. The unilateralism advocated by the hegemonic countries and the very threatening trade tactics have undoubtedly interfered with normal trade rules and may ultimately cause the world trade system to return to the era of power-based games.

## **4. Balancing Acting**

WTO working practices, in particular consensus decision-making, the member-driven model of governance and the invocation of special and differential treatment by developing countries, reduce the effectiveness of the WTO as a forum for cooperation [9]. In view of this situation, the paper argues that the WTO should strengthen the organization's internal mechanism and improve the global economic and trade environment in order to reduce trade disputes between developing and developed countries.

### **4.1. Fairness in Treatment**

The WTO has not set uniform criteria for defining and distinguishing between developed and developing countries. Member countries determine whether they are developing members through self-identification, and different WTO agreements provide criteria for differentiating between developing countries and granting different types of special and differential treatment. However, there is still no official release of a refined version of the criteria for differentiation, and WTO members have not been able to reach a consensus on the criteria. In fact, there is no one-to-one relationship between developing country status and S&D treatment. Of the 183 existing S&DT provisions in the WTO, only 24% can be applied spontaneously to all developing countries, while the others can only be granted with the unanimous consent of all WTO members. In view of this situation, reform of S&DT should not focus on whether a particular member enjoys developing country status in its entirety but should look at specific provisions. At the same time, a distinction should be made between market access-type S&DT and regulatory-type S&DT [10]. Currently, the rising powers in the WTO have assigned themselves the role of leaders of developing countries in defending and promoting the interests of the global South and working to make the multilateral trading system fairer and more responsive to the needs of developing countries [11].

## 4.2. Reform of the Dispute Settlement Mechanism

The current trend towards a gradual shift in the focus of trade negotiations in major economies towards “mega-regional agreements raises a number of short-term and long-term issues for the multilateral trading system and WTO [12]. The United States is at odds with other WTO members on the issue of dispute settlement, and the obstacles to the operation of the WTO 's dispute settlement function are the main reason why the United States has refused to appoint judges to the Appellate Body. In addition, the global South emphasizes the need for dispute settlement procedures to ensure that countries in the North and South are on an equal footing, while developed countries focus on the efficiency and transparency of dispute settlement mechanisms. Based on this, if we want to promote the concept of international trade within the WTO from bilateral balance to multilateral balance, both developing and developed countries should put development at the forefront of global economic and trade governance, make it clear that the WTO must serve the needs of all members, and contribute to the WTO 's development. Developing and developed countries alike should place development at the forefront of global economic and trade governance, make it clear that the WTO must serve the needs of all its members, and help the reform of the WTO establish development coordinates.

## 4.3. E-commerce Negotiations and Technology Transfer

Due to the imbalance in the interests of the global core economies in the digital economy industry, their interests in negotiating on e-commerce issues within the multilateral economic and trade framework are characterized by significant heterogeneity [10]. Under the changing environment of globalization, developing countries are in a disadvantaged position in emerging areas such as core technology transfer, and are still far from developed countries. Even though the competition among member countries in e-commerce negotiations is getting stronger, in order to realize an open, transparent, non-discriminatory and predictable multilateral economic and trade environment, the WTO should make horizontal and effective integration between the core rules of different problematic areas on specific issues, and try to set up a consensual long-term development goal on specific issues by taking advantage of the EU 's large market and strong regulatory effect, as well as to establish the principles and specific strategies of mutual support. Principles and strategies for mutual support [7].

## 5. Conclusions

The future of WTO reform is still shrouded in mystery, and the reform of the global multilateral trading system stands at the crossroads of "deciding where to go from here". Based on the essence of the WTO 's operational mechanism, decision-making at all levels is led by members, and all members have the same procedural voting rights, which helps developing countries to seek the same status of dialogue with developed countries in the negotiations. However, the WTO has not set uniform criteria for defining and distinguishing between developed and developing countries in the process of implementation and has failed to formulate effective support measures for cross-sectoral interaction. In view of this development dilemma, the WTO can try to help member countries reach consensus on specific issues and promote the concept of multilateralization of international trade to take deep root.

## References

- [1] Schneider, F. (2020). *1 Actors and Agency in China's Belt and Road Initiative. Global Perspectives on China's Belt and Road Initiative*, 11.
- [2] Howse, R., & Langille, J. (2023). *Continuity and change in the World Trade Organization: Pluralism past, present, and future. American Journal of International Law*, 117(1), 1-47.

- [3] Gabriel, V. D. R. (2022). *Plurilateral Agreements and Free Trade Agreements: Crossroads or Alternative Path to the Multilateral Trade Agreements?*. *Braz. J. Int'l L.*, 19, 312.
- [4] Hegde, V., & Wouters, J. (2021). *Special and differential treatment under the world trade organization: A legal typology*. *Journal of International Economic Law*, 24(3), 551-571.
- [5] O'Shea, P., & O'Shea, P. (2021). *The US-EU Relationship in International Forums. Transatlantic Financial Regulation: US-EU Cooperation During the 2008 Financial Crisis*, 167-202.
- [6] Scholte, J. A., Casier, T., & Dutkiewicz, P. (2020). *Hegemony in world politics: An introduction*. In *Hegemony and World Order* (pp. 1-14). Routledge.
- [7] Hageböling, D. (2021). *Concert governance: how informal intergovernmental organizations orchestrate global governance* (Doctoral dissertation, University of Oxford).
- [8] Hoekman, B., & Mavroidis, P. C. (2021). *WTO Reform: Back to the Past to Build for the Future*. *Global Policy*, 12, 5-12.
- [9] Hoekman, B. (2020). *WTO reform priorities post-COVID-19*. *East Asian economic review*, 24(4), 337-348.
- [10] Bronckers, M. (2020). *Trade conflicts: Whither the WTO?*. *Legal Issues of Economic Integration*, 47(3).
- [11] Schöfer, T., & Weinhardt, C. (2022). *Developing-country status at the WTO: the divergent strategies of Brazil, India and China*. *International Affairs*, 98(6), 1937-1957.
- [12] Perskaya, V. V., Morkovkin, D. E., Chupin, A. L., Mamedov, T. N., & Zvereva, A. D. (2024). *Transition to Polycentrism and the Transformation of Regional Trade Agreements*. *Vestnik RUDN. International Relations*, 24(1), 126-141.