

# AFGHANISTAN AND THE WORLD TRADE ORGANIZATION (WTO)

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## **Abstract**

***WTO is a transition from General Agreement on Tariffs and Trade (GATT). WTO was created in 1, January, 1995. WTO aims to facilitate trade and handle disputes all over the world amongst its members. Also, WTO opens markets for its members and cooperate with them, so they can open and standardize their markets for other members. Afghanistan is a least developed country and was accepted by WTO in 29, July, 2016. Afghanistan is 164th member of WTO. When US armies landed in Afghanistan, and Taliban Regime collapsed, new government was created in Afghanistan by United States under presidency of Hamid Karzai, and Afghanistan government sent its application in 2003.***

***Keyword: Afghanistan, WTO, Tariff, GATT, Dispute, Barrier, Criteria, Trade, Exports, Imports, Trade Balance, Trade Deficit, Trade Surplus***

## **1.INTRODUCTION**

WTO<sup>1</sup> is one of the most important institutions all over the world. It is located in Geneva, Switzerland and has 164 members since 2016 in which 25 of them are observer members. WTO is a result of General Agreement on Tariff and Trade (GATT), and this organization was created in 1, January, 1995. WTO was created to handle disputes, open new markets, liberalize trade, negotiate trade agreements, and provide trade rules and inspect them. If we say in a one word, WTO is a place where member countries negotiate their trade problems, and WTO is responsible to provide them solutions. When WTO members face problems like quota or tariff, they should negotiate with each other

under WTO because WTO is a negotiator organization. Sometimes World Trade Organization rules support trade barriers amongst member countries. For instance, some countries produce low-quality goods that is harmful for consumers' health, or trade spread diseases like Covid-19, so WTO has rules to support trade barriers amongst member countries. All member countries are required to accept WTO agreements because this is vital for economic development and economic growth.

Welfare of member countries is the core goal of WTO. WTO was created to handle goods trade problems. Now we can see the services like telecommunications, banks, and hotel chains can enjoy WTO rules, and they can earn acceptable profit abroad.

We should state that WTO has several agreements for goods and services trade. Also, it has intellectual property agreement which contains rules for trade in ideas and creativity. This agreement protects intellectual property such as copyright, patents, trademarks and etc...

In the WTO, all member countries are required to take active action on decisions. When they make decisions through consensus, parliament members ratify decisions made by member countries.

Afghanistan has been a member of WTO since 26, July, 2016. If we consider Afghanistan role in the WTO, we can summarize that Afghanistan had not much more success in the WTO or other international organizations because of corruption, war with Taliban (terrorism) and etc...

Infrastructure was weak in Afghanistan, and base to that export of Afghanistan to other countries accompanied with severe problems. Karzai's and Ghani's government fell into corruption. Throughout 20 year supremacy of USA in Afghanistan and presidency of Karzai and Ghani, Afghanistan was not able to achieve a good position in the WTO and other international organizations. Along

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<sup>1</sup> WTO stands for World Trade Organization.

20 years supremacy of USA in Afghanistan we never had trade surplus. We did not have any acceptable progress in our agricultural and industrial sectors. Much more had to be done in these two areas for our trade development, but unfortunately government of Afghanistan was corrupted and was not able to use from foreign aid effectively and efficiently.

Only there was a strategy called Afghanistan National Development Strategy (ANDS) which explicitly recognizes the role of trade for economic development and highlights Afghanistan’s integration into the world economy as one of the key development goals for which membership to WTO is an essential step. (ANDS, 2008).

## 2. FUNCTIONS OF WTO

The World Trade Organization is dealing with global rules of trade between nations. Flowing trade smoothly, predictably and freely are the main functions of WTO.

Functions of WTO are as follows:

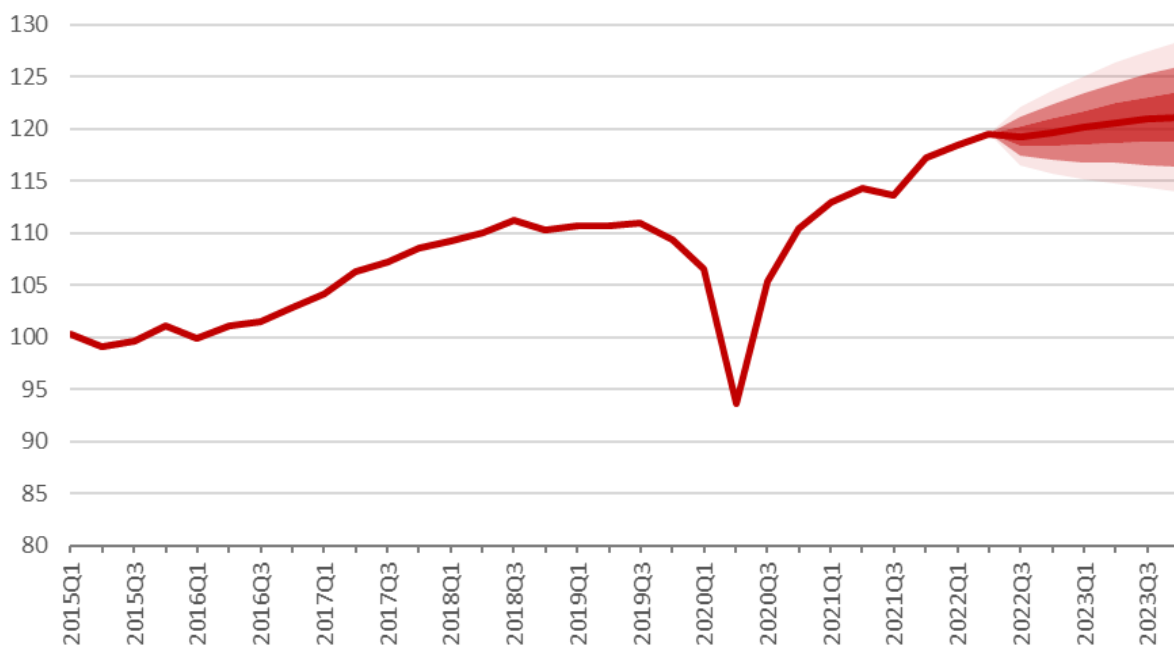
- WTO facilitates trade through removal of tariff and non-tariff barriers among members.
- Optimum utilization of world resources is another major function of WTO.

- WTO provides technical assistance and training for developing countries.
- WTO establishes a rule-based trading regime in which nations cannot place arbitrary restrictions on trade.
- WTO administers trade agreements.
- WTO settles trade surpluses.
- WTO reviews National Trade Surpluses.
- WTO cooperates with other international organizations. (WTO, 2014)

As we mentioned above that flowing trade predictably is one of the important task of WTO, WTO predicts that in 2023 goods trade will increase 1.0%. Also, WTO states that global economy faced great headwinds in 2022, so trade growth will be slower in 2023. Here are the main predictions of WTO for 2023:

- ❖ World merchandise trade volume is expected to grow to 1.0% in 2023.
- ❖ World GDP at market exchange rates will increase by 2.3% in 2023.
- ❖ Trade and output will be weighed down by several related shocks, including the war in Ukraine, high energy prices, inflation, and monetary tightening.

Chart 1: Volume of world merchandise trade, 2015Q1-2023Q4



Note: Each shaded region represents a  $\pm 0.5$  standard error band around the central forecast. Source: WTO and UNCTAD, WTO Secretariat estimates.

Above table provide volume of world merchandise trade from 2015 Q1, and prediction of volume of world merchandise trade till 3<sup>rd</sup> quarter of 2023.

Natural gas prices have diverged strongly across regions, with European prices up 350% year-on-year in August. U.S. prices were up 120% in the same month but remained well below European levels (US\$ 8.80 per million Btu compared to US\$ 70.00 in Europe). European demand for liquefied natural gas (LNG) to supplement reduced supplies from the Russian Federation has also pushed up energy costs in Asia, where the price of LNG was up 87% in August. European gas prices have moderated recently, falling 34% between 31 August and 23 September, but they remain high by historical standards. Oil prices have also receded from recent peaks, possibly indicating weaker global demand rather than an improved supply situation. (World Trade Statistical Review, 2022)

### 3. MEMBERSHIP CRITERIA OF WTO (WTO ACCESSION)

Countries can become a WTO member through negotiations. It means that countries negotiate with WTO and after negotiations, there are accession documents and legal provisions in which countries should fill and provide them. Countries can complete accession documents easily with the help of Accession<sup>2</sup> Intelligence Portal. (WTO, 2014)

### 4. DISPUTE SETTLEMENT

Dispute settlement is one of the most important task of World Trade Organization (WTO). WTO resolve disputes under Dispute Settlement Understanding in which it ensures that trade flows smoothly. If countries face with trade barriers, they bring dispute to WTO. The judgment

committee handle disputes base to agreements and countries commitments.

If we compare WTO with GATT, dispute settlement is a prominent feature of WTO. WTO Settlement Body (DSB) handled over 25 complaints per year in its first 18 years. We can see that WTO is a leading organization in dispute settlement all over the world. Also, this indicates that WTO is more attractive than GATT. (Vangrasstek, 2013).

WTO system was designed to solve countries disputes through negotiation. When negotiation ends, each individual country can appeal on decisions made by experts. More than 300 cases settled at WTO in the last 10 years. To sum up, WTO lowers trade barriers which break down other barriers between nations.

### 5. AFGHANISTAN MEMBERSHIP AT WTO

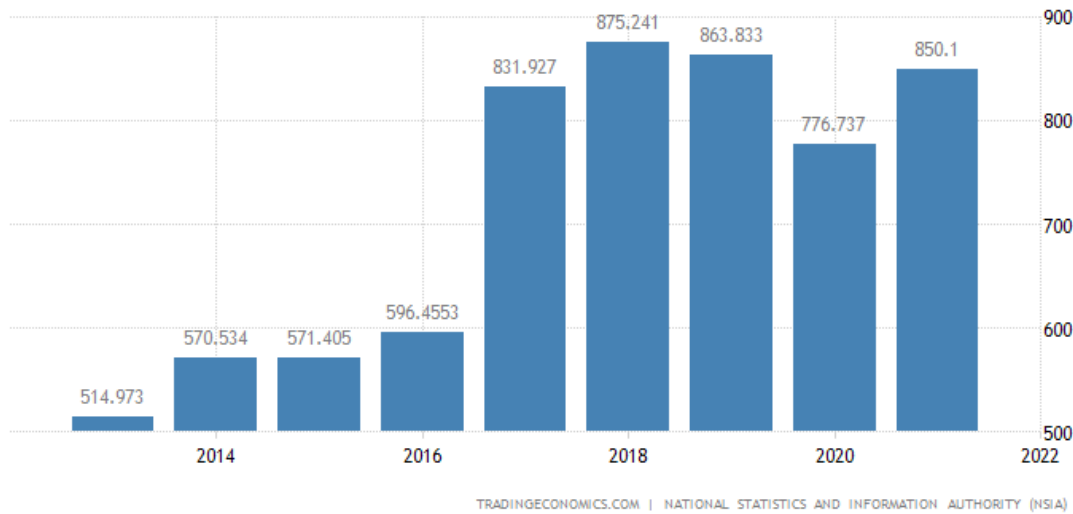
Over three-quarter of WTO members are developing or least developed countries. Afghanistan is a least developed country which has been a member of WTO since 2016. As a member, Afghanistan's government was required to implement agreements, increase their trade opportunities, support WTO with its infrastructure, handle disputes and implement technical standards. (WTO, 2014)

WTO rules were extensive, and Afghanistan needed much more work in order to increase its exports and join the world economy. The following histogram indicates that exports of Afghanistan was not high as imports of that respective country. Only in 2018, 2019 and 2021, Afghanistan had a bit reasonable exports. We can summarize that the larger position of exports of Afghanistan is consist of Agricultural products, Saffron, animal products and precious stone. We did not have sufficient developed industrial products because our infrastructure was weak, and most of the foreign aids allocated for war with terrorists. Also, corruption in the government of Afghanistan was a considerable factor on low level of Afghanistan's exports.

Chart 2: Exports of Afghanistan in million dollar.

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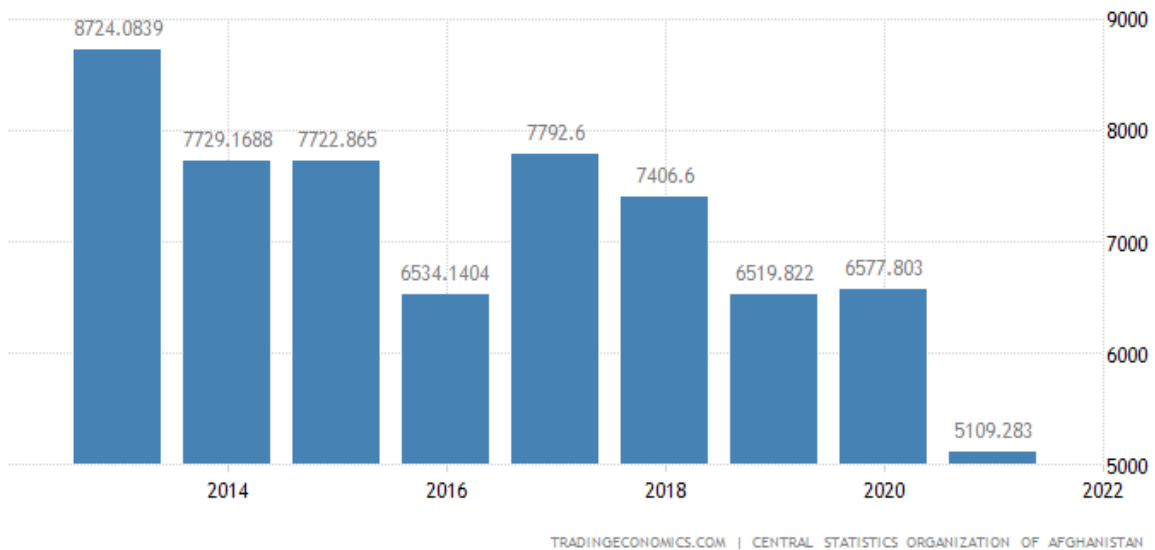
<sup>2</sup> The Accession Intelligence Portal contains information and completed accession since 1995.



The following table indicates imports of Afghanistan from 2013 to 2021. We can see that imports were high enough from 2013 till 2020. Afghanistan imported

almost everything the reason which I stated on exports of Afghanistan are also applicable on its imports.

Chart 3: import of Afghanistan in million dollar.



To sum up, Afghanistan is a least developed country and had not much role in the world trade organization. Afghanistan's government had opportunity to utilize and allocate foreign aid to their best use, but unfortunately they lost the chance, and they did not work seriously, so we can see that new government in Afghanistan (Islamic Emirate of Afghanistan) is not able to play a sufficient role in the international financial and monetary organizations. We can see that incorrect

decisions of new government in Afghanistan caused Afghan nation to lose almost everything, so we can conclude that government of Afghanistan does not have anything to do in international organizations, and they don't play an effective role in the WTO. Even Afghanistan lost its membership in several international agencies.

## 6. BRIEF CONCLUDING REMARKS

WTO is one of the key institutions all over the world. It was created in 1, January, 1995, and it is located in Geneva, Switzerland. Today, countries around the world are integrated in the world economy, and trade became an essential part of life of nations. Without trade a country cannot survive. When trade exists amongst countries, disputes arise, so countries use from trade barriers in order to gain from trade. Here we can state the importance of WTO as a negotiator and settler institution on handling disputes.

Afghanistan as a 35<sup>th</sup> member of WTO has been a member since 26, July, 2016. Afghanistan need to integrate into the world economy because of opportunities. If we compare Afghanistan's export-import ratio, we can summarize that Afghanistan did not have a good position and always had trade balance and balance of payments deficit. The reason behind trade balance deficit is its few exporting items. Also, weak and traditional industries are another reason for Afghanistan which cannot compete with world economies.

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