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ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provided dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

INTERNATIONAL TRADE & GLOBALISATION AND ITS IMPACT ON TRADE

AUTHORED BY - KAJAL

INTRODUCTION

An international organisation for the regulation of commerce that was never given the opportunity to come into being was going to be named the International Trade Organization (or simply 'ITO' for short). GATT members worked tirelessly to establish the ITO by having the Havana Charter ratified in 1947–1948, post-World War II. Unfortunately, the Havana Charter was never approved since the United States Congress failed to approve it, largely due to resistance within the United States at the end of 1950. Although the International Trade Organization (ITO) was never formally established, its predecessor, the General Agreement on Tariffs and Trade (GATT), had a considerable impact on the development of the World Trade Organization (WTO). The development of the idea that would become the ITO also marks a watershed moment in the evolution from moral internationalism to institutional internationalism, two distinct schools of thought on the subject of trade liberalism. The proposed standards for employment, commodity agreements, restrictive business practices, international investment, and services were all included in the original ITO Charter, demonstrating the ambitious nature of the document. At the United Nations Conference on Trade and Employment held in Havana, Cuba in 1947, the objective was to establish the ITO. The Havana Charter of 1948 was the outcome of a follow-up meeting conducted in Havana, Cuba after the GATT was signed on 30 August 1947 and became effective on 1 January 1948 as part of the Geneva Conference. The purpose of this Charter is to create a legal entity that can carry out the terms of the General Agreement. Among the many guiding concepts outlined in the Charter were:

- That all barriers to free trade must be dismantled and all subsidies must be done away with; and that there should be no special treatment for any country;
- That all citizens should be subject to the same internal taxes and rules;
- Export subsidies should be used only in extraordinary circumstances, and all subsidies should be subject to international consultation;

- That international agreements meant to safeguard primary commodity producers in the event of surplus production should address anomalies rather than exacerbate them;
- If export restrictions or price controls are unavoidable, they should be temporary;
- That both producing and consuming nations should have an equal say in how agreements are made and enforced.

It was proposed that the Charter's promises be carried out by a supranational body (the International Trade Organization, or ITO) independent of the United Nations. Countries involved in the negotiations did not approve of the Havana Charter. The 53 countries involved in the negotiations were divided on the Charter, with the less developed countries raising the following concerns:

- That the proposed Charter took a pessimistic rather than an optimistic stance regarding its approach to the fundamental problems of international commerce;
- That in certain instances, quotas and subsidies should be authorised in order to encourage industrialization;
- The developing nations put up a fierce fight against participating in the international consultation on subsidies.
- The political climate in the United States had shifted significantly in the years following World War II, and as a result, the country had no desire to ratify the Havana Charter. The US business community also believed that the Charter would not help in reducing trade barriers because of its many loopholes. The United States' lack of interest in presenting the Charter to Congress for approval proved fatal. Consequently, the negotiating countries failed to ratify the ITO Charter, and there was a head-on confrontation between those who were devoted to the idea of a free, multilateral trade system on the one hand, and those who placed the whole emphasis on full employment programmes on a national basis. In 1955, the Organization for Trade Cooperation (OTC) was established as another attempt to create an institutional foundation for GATT. Yet another futile attempt. Although the Havana talks did not result in a new international trade organisation, the General Agreement was still in effect according to the Protocol of Provisional Application

The fact that it only addresses a limited number of issues pertaining to tariffs was one of the primary contributors to the low level of opposition to the General Agreement. Other key aspects

include:

- That the commitments outlined in the Agreement were for a shorter period of time; that a contractual party may withdraw from the agreement by providing a notice of withdrawal of sixty days; and
- That the Agreement does not require specific legislation to be passed by a majority of the contractual parties, as it is through executive authority that they continue to be contracting parties; this is because the executive authority allows them to continue to be contracting parties.
- Therefore, the inability of the Havana Charter to enter into force was a very significant factor in the operation of, and the process leading up to the establishment of, the Agreement. Because of the practical necessities involved, the parties who entered into the Agreement were compelled to carry out, step by step, some of the responsibilities that the ITO would have been responsible for if the Havana Charter had been in effect. This aspect, in conjunction with the necessity to find ways and means to cope with the challenges arising out of the execution of the Agreement, contributed to the progressive evolution of the Agreement. As a result, it evolved from being a straightforward international trade and tariff agreement into an organisation that possesses a variety of its own internal organs.

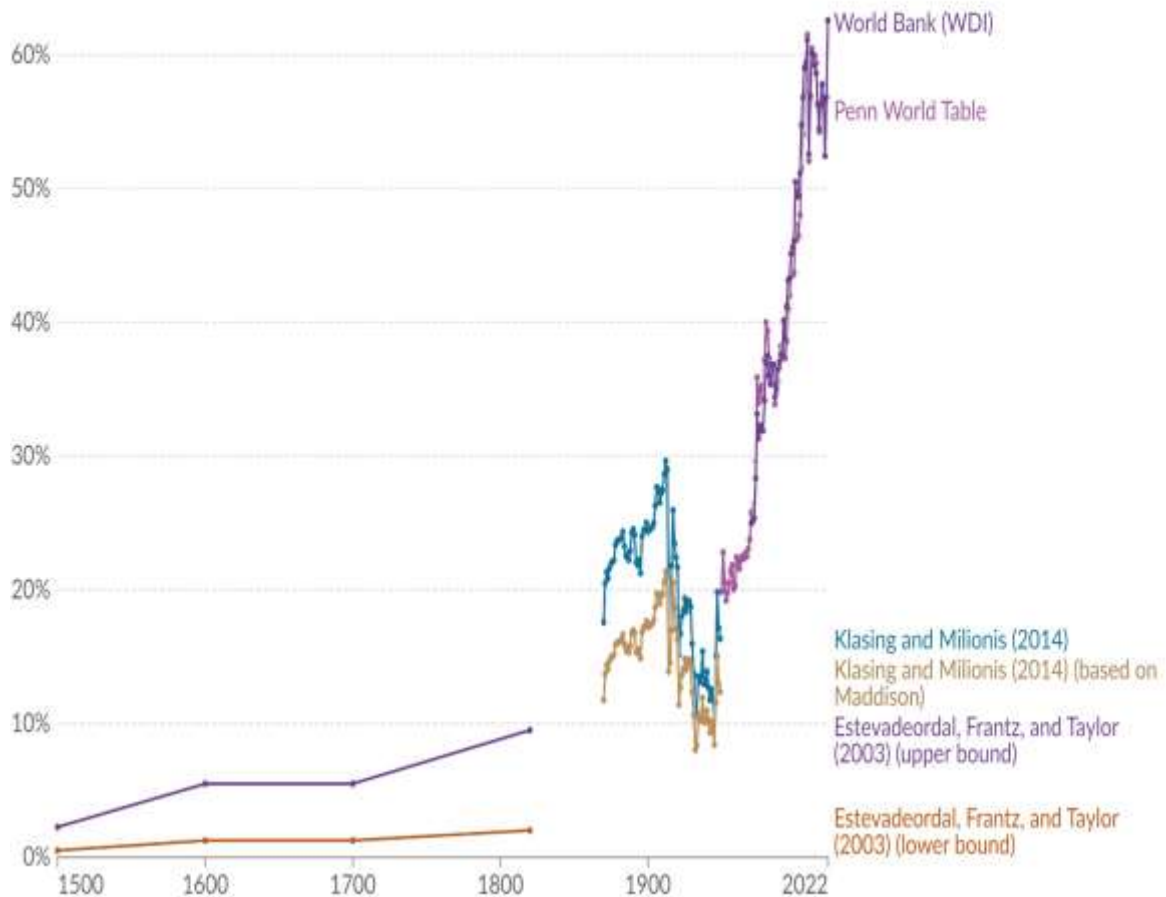
Understanding Globalization

- Globalization refers to the increasing interconnectedness and interdependence of countries through the exchange of goods, services, information, and ideas. It encompasses various aspects such as economic, social, political, and cultural integration on a global scale. Globalization has been facilitated by advancements in technology, particularly in the areas of transportation and communication, which have significantly reduced barriers to trade and increased global connectivity.

GLOBALISATION OVER 5 CENTURIES

Globalization over 5 centuries

Shown is the "trade openness index". This index is defined as the sum of world exports and imports, divided by world GDP. Each series corresponds to a different source.



Data source: Klasing and Milionis (2014) and other sources

OurWorldInData.org/trade-and-globalization | CC BY

GLOBALISATION IMPACT ON INTERNATIONAL TRADE

- More advanced systems are needed to facilitate global trade. Globalization pushed us to create better systems to track international trade. ERP systems are one of the solutions provided to support global trade.
- Enterprise resource planning (ERP) is a process by which a company (often a manufacturer) manages and integrates the important parts of its business. An ERP management information system integrates areas such as planning, purchasing, inventory, sales, marketing, finance and human resources.
- This technological innovation in global trade has enabled a more efficient environment. Technology empowers efficiency in global trade and reduces cost and time. In addition,

production processes became more efficient due to globalization as companies want to maintain their competitive advantage.

- However, we still find a gap between globalization and blockchain. Blockchain could help companies become even more 'global'. It helps companies to save time and money, storing data tamper-proof and improving communication.
- Companies could use smart contracts in which they can define their business rules. These smart contracts can be used when trading with other companies, creating an environment of trust. ModulTrade provides such a platform where companies can trade safely using smart contracts acting as an escrow, including all business criteria.

Conclusion

For years, theories concerning international trade have been the subject of intense research and debate. Growing international trade has its own pros and cons. The analysis of the system of international trade by way of various theories has enabled a systematic framework for better understanding. International trade contributes to the economic growth of a country, thereby increasing the standard of living of its people, creating employment opportunities, a greater variety of choices for consumers, etc. The development of trade theories has seen a major shift from the view of restricting free trade as stated in the theory of mercantilism to the various modern theories providing a better understanding to facilitate smooth international trade with increasing benefits.

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