



International Trade Law and Its Impact on Global Economic Development

Kawaljit Kaur*

Researcher

Punjabi University, Patiala

Email Id: kawalsasan1@gmail.com

Accepted: 01/09/2024

Published: 30/09/2024

* Corresponding author

How to Cite this Article:

Kaur, K. (2024). International Trade Law and Its Impact on Global Economic Development. *Indian Journal of Law*, 2(5), 87-94.

DOI: <https://doi.org/10.36676/ijl.v2.i5.79>



Abstract:

The legal framework that governs the importation and exportation of commodities and services across international borders is known as international commerce law. Through the facilitation of trade liberalization, the resolution of disputes, and the guarantee of fair competition, it takes on a significant role in the formation of the global economy. The purpose of this article is to investigate the influence that international trade law has on the development of the global economy, with a particular focus on the contribution that it makes to economic growth, the reduction of poverty, and the incorporation of emerging nations into the global market. The article evaluates the efficacy of international trade law in fostering equitable development by conducting an examination of trade agreements, dispute resolution procedures, and the function of the World Trade Organization (WTO). Additionally, the paper examines the obstacles that are associated with this domain.

Keywords: International Trade Law, Global Economic Development, World Trade Organization (WTO), Regional Trade Agreements (RTAs), Trade Liberalization etc.

Introduction

Global interconnectedness and economic development have long been based on international commerce. It allows nations to use their comparative advantages, trade goods, services, and innovations, and access international markets. However, a stable and predictable legal framework—often referred to as international trade law—is crucial to the prosperity and





sustainability of global trade. This body of legislation is made up of a complicated web of regulations, pacts, and organizations that control international trade and guarantee accountability, equity, and openness. The development of international trade law over the last few decades has significantly changed how nations interact economically. Reducing trade barriers, settling disputes, and promoting economic integration have been made possible by organizations such as the World Trade Organization (WTO)¹, regional trade blocs like the European Union (EU) and NAFTA (now USMCA), and a number of bilateral agreements. In addition to increasing commerce, these frameworks have boosted industrial growth, drawn foreign direct investment, and generated job chances, all of which have aided in the advancement of the world economy.

Review of literature

(Saurabh Saxena, 2019.) studied “IMPACT OF INTERNATIONAL TRADE LAW ON GLOBALIZATION”² International trade law has transformed global trade. The new international trade legislation has simplified trading. International trade legislation has erased all internal trade barriers and allowed emerging and underdeveloped countries to trade with rich countries.

(Isaac O. C. Igwe 1998) studied “WTO and the Dynamics of Free Trade: The Challenges of International Trade Law in a Divided Economic World”³ Academics, free trade advocates, and public financial institutions such as the World Trade Organization (WTO), the World Bank, the International Monetary Fund (IMF), and the Organization for Economic Cooperation and Development (OECD) have all taken an interest in the connection between free trade, globalization, poverty, and inequality over the last several decades.

(Peng Sun and Almas Heshmati 2010) studied International Trade and its Effects on Economic Growth in China As openness increases, international trade has contributed more to economic growth. Due to rapid economic growth and international trade expansion, China now targets the world as its market. This study examines China's economic growth and foreign trade. The

¹ Amrita Narlikar, *The World Trade Organization: A Very Short Introduction*, (Oxford University Press 2005).

² Saxena, Saurabh, "Impact of International Trade Law On" (2019) III(iii) 1.

³ Igwe, Isaac O. C., “WTO and the Dynamics of Free Trade: The Challenges of International Trade Law in a Divided Economic World (1998) 5(2) 165.





concept, evolution, and policy of China's foreign trade system in favor of trade sectors are reviewed.

(Courtesy and Marad 2012) studied International Trade International trade is the exchange of commodities and services between nations. This trade boosts the global economy. Televisions, clothes, machinery, capital goods, food, and raw materials are the most traded commodities. International trade in transportation, travel, tourism, finance, warehousing, communication, advertising, and distribution and advertising has risen significantly.

(Chandra Prakash Kulshreshtha, Anita Modi, and Khetri 2015) studied Globalization And Its Impact On International Trade Patterns: A Comparative Analysis⁴ This research study uses a comparative analysis to look at how globalization has affected patterns of international trade. It delves into the causes of globalization, including changes in technology, government policy, and cultural dynamics, after providing a brief history of trade networks.

(Shameen Ahmad Khan 2018) studied THE ROLE OF INTERNATIONAL TRADE LAW IN ECONOMIC DEVELOPMENT: A GLOBAL PERSPECTIVE” As the body of legislation that governs commerce between nations, international trade law is crucial in molding international economic relations.

(Rudrappa and Veerabhadrapa 2024) studied “International Trade and Economic Development”⁵ Progress toward a more developed economy takes time and effort. There are a lot of factors to consider. A number of nations have advanced at a rapid pace. There are a few nations that are developing more slowly. The West has progressed as a result of their endeavors.

Historical Evolution of Trade Law

The global endeavor to establish a rules-based international trading system is reflected in the historical development of trade law. In order to lower tariffs and encourage multilateral trade cooperation among countries, the General Agreement on Tariffs and Trade (GATT) was established in 1947 following World War II. Through several rounds of negotiations, GATT progressively increased its membership and scope while functioning as a temporary framework for decades. The World Trade Organization (WTO), which took the role of GATT and

⁴ Kulshreshtha, Chandra Prakash, Globalization and Its Impact on International Trade Patterns: A Comparative Analysis (2015) 3(1) 66.

⁵ Rudrappa, K. M. & Veerabhadrapa, B. P., International Trade and Economic Development (2024) 6(1) 1.





established a permanent institutional framework for monitoring global trade regulations, resolving conflicts, and promoting talks, marked a significant turning point in 1995. Under the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the WTO⁶ broadened the scope of trade law to encompass not just products but also services and intellectual property rights. The Doha Development Round, which was introduced in 2001 with the intention of putting development concerns at the center of international trade talks, especially for the benefit of poor and least-developed nations, was another noteworthy development. The development of trade law has continuously adjusted to handle the intricacies of globalization, regional integration, and sustainable development, despite obstacles such as impasses in negotiations and growing protectionism.

Conceptual Framework of International Trade Law

The set of laws, agreements, and organizations that regulate cross-border trade in products, services, and intellectual property is known as international trade law. Fundamentally, it seeks to create a system of rules-based, equitable, and predictable commercial interactions between nations. Fundamental ideas including nondiscrimination, openness, reciprocity, and trade liberalization form the foundation of international trade law. The Most-Favoured-Nation (MFN) principle and the National Treatment duty are two fundamental ideas that support this framework. In order to prevent discrimination, the MFN principle makes sure that any advantageous trading terms granted to one nation must also be granted to all other WTO members. In order to create a level playing field for global corporations, the National Treatment clause mandates that nations treat local and foreign goods and services similarly after they have entered the market⁷.

Multilateral agreements made under the aegis of the World Trade Organization (WTO), the primary body in charge of global trade governance, greatly influence the legal framework of international trade law. Modern trade law is based on fundamental WTO agreements including the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the General

⁶ Michael J. Trebilcock, Robert Howse and Antonia Eliason, *The Regulation of International Trade*, 4th edn (Routledge 2013).

⁷ Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy*, (W.W. Norton & Company 2011).





Agreement on Tariffs and Trade (GATT), and the General Agreement on Trade in Services (GATS). A strong Dispute Settlement Mechanism (DSM) underpins these agreements, allowing member states to settle trade issues through a formal legal process and boosting systemic confidence and compliance.

Regional trade agreements (RTAs) and bilateral trade agreements are also included in international trade law, in addition to multilateral treaties. These agreements enable nations to further integrate and collaborate on certain trade-related issues. These agreements frequently address topics outside the purview of the WTO, such as digital trade, labor and environmental standards, and investment protections. In addition, the theoretical underpinnings of trade law are changing to take into account modern concerns like gender equality, sustainability, and the regulation of the digital economy.

Impact of International Trade Law on Global Economic Development

- **Economic Growth:** In many nations, trade liberalization made possible by international law has resulted in faster rates of GDP development. For instance, China's GDP and exports increased dramatically after it joined the WTO in 2001.
- **Poverty Reduction:** Millions of people have been lifted out of poverty, particularly in East Asia, thanks in large part to international trade⁸. Developing nations can expand their export industries and draw in foreign investment by having access to international markets.
- **Technological and Knowledge Transfer:** Intellectual property provisions are frequently included in trade agreements, which can promote innovation and the spread of knowledge. However, in less developed countries, access to necessary technologies may be restricted by excessively strict IP regulations.
- **Employment and Labor Standards:** Trade can create jobs, but it can also result in job losses in sectors of the economy that can't compete on a global scale. To reduce such dangers, labor standard measures are becoming more and more common in international accords.

⁸ Debra Steger, *The Future of the World Trade Organization: Governing Trade in the 21st Century* in Debra Steger (ed), *Redesigning the World Trade Organization for the Twenty-First Century* (Wilfrid Laurier University Press 2010) .





- **Infrastructure and Institutional Development:** Improvements in governance, legal frameworks, and infrastructure are frequently necessary for compliance with trade regulations, which promotes long-term growth.

The Role of the WTO and Regional Trade Agreements

As the main multilateral organization in charge of monitoring international trade regulations, facilitating discussions, and mediating conflicts among its member nations, the World Trade Organization (WTO) is essential to the regulation and advancement of global trade. The World Trade Organization (WTO), which replaced the General Agreement on Tariffs and Trade (GATT) in 1995, has offered a steady and predictable legal framework for conducting global trade. The WTO⁹ encourages the removal of trade barriers, non-discrimination, and transparency through its fundamental agreements, including the General Agreement on Trade in Services (GATS), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and GATT. The Dispute Settlement Mechanism (DSM), which enables member states to settle trade disputes based on legal principles rather than political or economic force, is one of the organization's most significant accomplishments. This has contributed to preserving order in the international marketplace and fostering confidence in the multilateral trading system.

Notwithstanding its successes, the WTO has recently come under fire for stalling discussions, particularly during the Doha Development Round, and difficulties resolving disputes. Regional Trade Agreements (RTAs) and bilateral trade agreements have grown significantly in quantity and breadth in reaction to the perceived inefficiencies of the WTO. These agreements, like the United States-Mexico-Canada Agreement (USMCA), the African Continental Free Trade Area (AfCFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), enable nations to expand their economic connections, liberalize trade more quickly, and address topics like digital trade, labor rights, and environmental standards that are not entirely covered by WTO regulations. RTAs frequently provide more adaptable and situation-specific solutions that can be customized to meet the development objectives of the participating nations. However, there are worries about the fragmentation of the global trading

⁹ Peter Van den Bossche and Werner Zdouc, *The Law and Policy of the World Trade Organization: Text, Cases and Materials*, 4th edn (Cambridge University Press 2017).





system and the possibility of the multilateral framework being undermined due to the increasing dependence on regionalism.

Conclusion

The foundation for promoting international economic contact is international trade law, which guarantees that capital, products, and services be exchanged in a controlled and predictable legal framework. The modern global economy has been greatly influenced by its development, from the post-war underpinnings of GATT to the extensive frameworks of the WTO and several regional and bilateral trade agreements. International trade law has made a significant contribution to economic growth, poverty alleviation, and the integration of emerging countries into international markets through encouraging trade liberalization, improving transparency, and providing efficient dispute resolution procedures¹⁰. The advantages of international trade law are clear, but not all economies and regions benefit equally from them. The least developed countries are frequently at a disadvantage due to structural disparities, weak institutional ability in developing nations, and the increasing complexity of trade discussions. Furthermore, current events like growing protectionism, trade disputes, and the difficulties in implementing labor and environmental regulations underscore the necessity of reform and fresh global collaboration.

References

1. Csongor István Nagy, *Global Values and International Trade Law*, 1st ed. (Routledge, London, 2021).
2. Franziska Ohnsorge and Lucia Quaglietti, *Trade as an Engine of Growth: Sputtering but Fixable* (The World Bank, 2023).
3. Peng Sun and Almas Heshmati, "International Trade and its Effects on Economic Growth in China" *SSRN Electronic Journal* (2010).
4. Tran Tan Tai, "International Journal of Advanced Multidisciplinary Research and Studies."
5. "The role of international trade in the post-2015 development,."

¹⁰ Thomas Cottier and Manfred Elsig (eds), *Governing the World Trade Organization: Past, Present and Beyond Doha*, (Cambridge University Press 2011).





6. Richard Baldwin, *The Great Convergence: Information Technology and the New Globalization*, (Belknap Press 2016).
7. Jagdish Bhagwati, *In Defense of Globalization*, (Oxford University Press 2004).
8. Bernard M. Hoekman and Michel M. Kostecki, *The Political Economy of the World Trading System: The WTO and Beyond*, 3rd edn (Oxford University Press 2010).
9. Khan, Shameen Ahmad, "The Role of International Trade Law in Economic Development: A Global Perspective" (2018) 10(2) *International Journal of Early Childhood Special Education* 2012, DOI: 10.48047/intjecse/V10I2.64.
10. Sun, Peng & Heshmati, Almas, "International Trade and Its Effects on Economic Growth in China" (2010) Working Paper No. 5151, *IZA Institute of Labor Economics*.

