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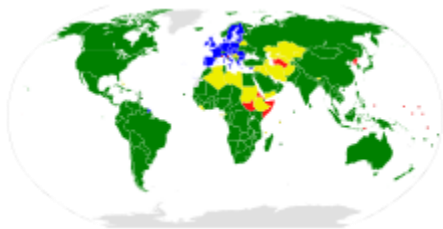
CLASS : TY BBA (SEM:VI)

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World Trade Organization



Members Members, dually represented by the EU Observers Non-members

Formation 1 January 1995

Headquarters Centre William Rappard, Geneva,
Switzerland

Membership 159 member states

Official languages English, French, Spanish

Director-General Roberto Azevêdo

Budget 196 million Swiss francs (approx.
209 million US\$) in 2011.

Staff 64

The **World Trade Organization (WTO)** is a large international group to regulate trade that was established in 1995. As of the 15th of December, 2005, there were 153 member countries. In the WTO, agreements are made on trade between countries. The “GATT” agreement means that countries have to lower barriers to international trade, such as tax on goods crossing borders. This means that businesses can operate in many different countries

Member countries sign agreements

There are about 30 such agreements. Based on these agreements, the member countries trade with each other. They sell items to each other and follow a set of rules. They have to give a special job to the other country.. From 2004, if a member sells any item to another member country, the same type of item should be offered to all other member countries.

A brief history of the WTO and GATT:

The World Trade Organization (WTO) and its predecessor, the General Agreement on Tariffs and Trade (GATT) have been enormously successful over the last 50 years at reducing tariff and other trade barriers among an ever-increasing number of countries. The predecessor to the WTO began in 1947 with only 23 members; today it has 146 members, comprising approximately 97 percent of world trade.

Although the WTO, established in 1995, is relatively young for an international institution, it has its origins in the Bretton Woods Conference at the end of World War II. At this conference, finance ministers from the Allied nations gathered to discuss the failings of World War I's Versailles Treaty and the creation of a new international monetary system that would support postwar reconstruction, economic stability, and peace. The Bretton Woods Conference produced two of the most important international economic institutions of the postwar period: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (the World Bank). Recognizing that the beggar-thy-neighbor tariff policies of the 1930s had contributed to the environment that led to war, ministers discussed the need for a third postwar institution, the International Trade Organization (ITO), but left the problem of designing it to their colleagues in government ministries with responsibility for trade.

Timeline of GATT and the WTO:

1944: At the Bretton Woods Conference, which created the World Bank and International Monetary Fund (IMF), there is talk of a third organization, the International Trade Organization (ITO).

1947: As support for another international organization wanes in the U.S. Congress, the General Agreement on Tariffs and Trade (GATT) is created. The GATT treaty creates a set of rules to govern trade among 23 member countries rather than a formal institution.

1950: Formal U.S. withdrawal from the ITO concept as the U.S. administration abandons efforts to seek congressional ratification of the ITO.

1951–86: Periodic negotiating rounds occur, with occasional discussions of reforms of GATT. In the 1980s, serious problems with dispute resolutions arise.

1986–94: The Uruguay Round, a new round of trade negotiations, is launched. This culminates in a 1994 treaty that establishes the World Trade Organization (WTO).

1995: The WTO is created at the end of the Uruguay Round, replacing GATT.

2003: The WTO consists of 146 members, accounting for approximately 97 percent of world trade

The **World Trade Organization (WTO)** is an organization that intends to supervise and liberalize international trade. The organization officially commenced on 1 January 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participant's adherence to WTO agreements, which are signed by representatives of member governments and ratified by their parliaments. Most of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986–1994).

The organization is attempting to complete negotiations on the Doha Development Round, which was launched in 2001 with an explicit focus on addressing the needs of developing countries. As of June 2012, the future of the Doha Round remained uncertain: the work programme lists 21 subjects in which the original deadline of 1 January 2005 was missed, and the round is still incomplete. The conflict between free trade on industrial goods and services but retention of protectionism on farm subsidies to domestic agricultural sector (requested by developed countries) and the substantiation of the international liberalization of fair trade on agricultural products (requested by developing countries) remain the major obstacles. These points of contention have hindered any progress to launch new WTO negotiations beyond the Doha

Development Round. As a result of this impasse, there has been an increasing number of bilateral free trade agreements signed. As of July 2012, there were various negotiation groups in the WTO system for the current agricultural trade negotiation which is in the condition of stalemate.

WTO's current Director-General is Roberto Azevêdo, who leads a staff of over 600 people in Geneva, Switzerland. A trade facilitation agreement known as the Bali Package was reached by all members on 7 December 2013, the first comprehensive agreement in the organization's history.

History



The economists Harry White (left) and John Maynard Keynes at the Bretton Woods Conference. Both had been strong advocates of a central-controlled international trade environment and recommended the establishment of three institutions: the IMF (for fiscal and monetary issues); the World Bank (for financial and structural issues); and the ITO (for international economic cooperation).

The WTO's predecessor, the General Agreement on Tariffs and Trade (GATT), was established after World War II in the wake of other new multilateral institutions dedicated to international economic cooperation – notably the Bretton Woods institutions known as the World Bank and the International Monetary Fund. A comparable international institution for trade, named the International Trade Organization was successfully negotiated. The ITO was to be a United Nations specialized agency and would address not only trade barriers but other issues indirectly

related to trade, including employment, investment, restrictive business practices, and commodity agreements. But the ITO treaty was not approved by the U.S. and a few other signatories and never went into effect.

GATT rounds of negotiations

The GATT was the only multilateral instrument governing international trade from 1946 until the WTO was established on 1 January 1995. Despite attempts in the mid-1950s and 1960s to create some form of institutional mechanism for international trade, the GATT continued to operate for almost half a century as a semi-institutionalized multilateral treaty regime on a provisional basis.

From Geneva to Tokyo

Seven rounds of negotiations occurred under GATT. The first real GATT trade rounds concentrated on further reducing tariffs. Then, the Kennedy Round in the mid-sixties brought about a GATT anti-dumping Agreement and a section on development. The Tokyo Round during the seventies was the first major attempt to tackle trade barriers that do not take the form of tariffs, and to improve the system, adopting a series of agreements on non-tariff barriers, which in some cases interpreted existing GATT rules, and in others broke entirely new ground. Because these plurilateral agreements were not accepted by the full GATT membership, they were often informally called "codes". Several of these codes were amended in the Uruguay Round, and turned into multilateral commitments accepted by all WTO members. Only four remained plurilateral (those on government procurement, bovine meat, civil aircraft and dairy products), but in 1997 WTO members agreed to terminate the bovine meat and dairy agreements, leaving only two.

Uruguay Round

Main article: Uruguay Round



((During the Doha Round, the US government blamed Brazil and India for being inflexible and the EU for impeding agricultural imports. The then-President of Brazil, Luiz Inácio Lula da Silva (above right), responded to the criticisms by arguing that progress would only be achieved if the richest countries (especially the US and countries in the EU) made deeper cuts in agricultural subsidies and further opened their markets for agricultural goods.))

Well before GATT's 40th anniversary, its members concluded that the GATT system was straining to adapt to a new globalizing world economy. In response to the problems identified in the 1982 Ministerial Declaration (structural deficiencies, spill-over impacts of certain countries' policies on world trade GATT could not manage etc.), the eighth GATT round – known as the Uruguay Round – was launched in September 1986, in Punta del Este, Uruguay.

It was the biggest negotiating mandate on trade ever agreed: the talks were going to extend the trading system into several new areas, notably trade in services and intellectual property, and to reform trade in the sensitive sectors of agriculture and textiles; all the original GATT articles were up for review. The Final Act concluding the Uruguay Round and officially establishing the WTO regime was signed 15 April 1994, during the ministerial meeting at Marrakesh, Morocco, and hence is known as the Marrakesh Agreement.

The GATT still exists as the WTO's umbrella treaty for trade in goods, updated as a result of the Uruguay Round negotiations (a distinction is made between *GATT 1994*, the updated parts of GATT, and *GATT 1947*, the original agreement which is still the heart of GATT 1994). GATT 1994 is not however the only legally binding agreement included via the Final Act at Marrakesh; a long list of about 60 agreements, annexes, decisions and understandings was adopted. The agreements fall into a structure with six main parts:

- The Agreement Establishing the WTO
- Goods and investment – the Multilateral Agreements on Trade in Goods including the GATT 1994 and the Trade Related Investment Measures (TRIMS)
- Services – the General Agreement on Trade in Services
- Intellectual property – the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Dispute settlement (DSU)
- Reviews of governments' trade policies (TPRM)

In terms of the WTO's principle relating to tariff "ceiling-binding" (No. 3), the Uruguay Round has been successful in increasing binding commitments by both developed and developing countries, as may be seen in the percentages of tariffs bound before and after the 1986–1994 talks.

Ministerial conferences



The World Trade Organization Ministerial Conference of 1998, in the Palace of Nations (Geneva, Switzerland).

The highest decision-making body of the WTO is the Ministerial Conference, which usually meets every two years. It brings together all members of the WTO, all of which are countries or customs unions. The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements. The inaugural ministerial conference was held in Singapore in 1996. Disagreements between largely developed and developing economies emerged during this conference over four issues initiated by this conference, which led to them being collectively referred to as the "Singapore issues". The second ministerial conference was held in Geneva in Switzerland. The third conference in Seattle, Washington ended in failure, with massive demonstrations and police and National Guard crowd-control efforts drawing worldwide attention. The fourth ministerial conference was held in Doha in the Persian Gulf nation of Qatar. The Doha Development Round was launched at the conference. The conference also approved the joining of China, which became the 143rd member to join. The fifth ministerial conference was held in Cancún, Mexico, aiming at forging agreement on the Doha round. An alliance of 22 southern states, the G20 developing nations (led by India, China,^[30] Brazil, ASEAN led by the Philippines), resisted demands from the North for agreements on the so-called "Singapore issues" and called for an end to agricultural subsidies within the EU and the US. The talks broke down without progress.

The sixth WTO ministerial conference was held in Hong Kong from 13–18 December 2005. It was considered vital if the four-year-old Doha Development Round negotiations were to move forward sufficiently to conclude the round in 2006. In this meeting, countries agreed to phase out all their agricultural export subsidies by the end of 2013, and terminate any cotton export subsidies by the end of 2006. Further concessions to developing countries included an agreement to introduce duty free, tariff free access for goods from the Least Developed Countries, following the Everything but Arms initiative of the European Union — but with up to 3% of tariff lines exempted. Other major issues were left for further negotiation to be completed by the end of 2010. The WTO General Council, on 26 May 2009, agreed to hold a seventh WTO ministerial conference session in Geneva from 30 November-3 December 2009. A statement by chairman Amb. Mario Matus acknowledged that the prime purpose was to remedy a breach of protocol requiring two-yearly "regular" meetings, which had lapsed with the Doha Round failure in 2005, and that the "scaled-down" meeting would not be a negotiating session, but "emphasis will be on

transparency and open discussion rather than on small group processes and informal negotiating structures". The general theme for discussion was "The WTO, the Multilateral Trading System and the Current Global Economic Environment"

Doha Round (Doha Agenda)



The Doha Development Round started in 2001 is at an impasse.

The WTO launched the current round of negotiations, the Doha Development Round, at the fourth ministerial conference in Doha, Qatar in November 2001. This was to be an ambitious effort to make globalization more inclusive and help the world's poor, particularly by slashing barriers and subsidies in farming.^[32] The initial agenda comprised both further trade liberalization and new rule-making, underpinned by commitments to strengthen substantial assistance to developing countries.

The negotiations have been highly contentious. Disagreements still continue over several key areas including agriculture subsidies, which emerged as critical in July 2006. According to a European Union statement, "The 2008 Ministerial meeting broke down over a disagreement between exporters of agricultural bulk commodities and countries with large numbers of subsistence farmers on the precise terms of a 'special safeguard measure' to protect farmers from surges in imports." The position of the European Commission is that "The successful conclusion of the Doha negotiations would confirm the central role of multilateral liberalization and rule-making. It would confirm the WTO as a powerful shield against protectionist backsliding." An impasse remains and, as of August 2013, agreement has not been reached, despite intense negotiations at several ministerial conferences and at other sessions. On 27 March 2013, the chairman of agriculture talks announced "a proposal to loosen price support disciplines for developing countries' public stocks and domestic food aid." He added: "...we are not yet close to agreement—in fact, the substantive discussion of the proposal is only beginning."

GATT and WTO trade rounds

Functions

Among the various functions of the WTO, these are regarded by analysts as the most important:

- It oversees the implementation, administration and operation of the covered agreements.
- It provides a forum for negotiations and for settling disputes.^{[40][41]}

Additionally, it is the WTO's duty to review and propagate the national trade policies, and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making. Another priority of the WTO is the assistance of developing, least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training.

The WTO is also a center of economic research and analysis: regular assessments of the global trade picture in its annual publications and research reports on specific topics are produced by the organization.^[43] Finally, the WTO cooperates closely with the two other components of the Bretton Woods system, the IMF and the World Bank.

Principles of the trading system

The WTO establishes a framework for trade policies; it does not define or specify outcomes. That is, it is concerned with setting the rules of the trade policy games.^[44] Five principles are of particular importance in understanding both the pre-1994 GATT and the WTO:

1. **Non-discrimination.** It has two major components: the most favoured nation (MFN) rule, and the national treatment policy. Both are embedded in the main WTO rules on goods, services, and intellectual property, but their precise scope and nature differ across these areas. The MFN rule requires that a WTO member must apply the same conditions on all trade with other WTO members, i.e. a WTO member has to grant the most favorable conditions under which it allows trade in a certain product type to all other WTO members.^[44] "Grant someone a special favour and you have to do the same for all other WTO members."^[29] National treatment means that imported goods should be treated no less favorably than domestically produced goods (at least after the foreign goods have entered the market) and was introduced to tackle non-tariff barriers to trade (e.g. technical standards, security standards et al. discriminating against imported goods).^[44]
2. **Reciprocity.** It reflects both a desire to limit the scope of free-riding that may arise because of the MFN rule, and a desire to obtain better access to foreign markets. A related point is that for a nation to negotiate, it is necessary that the gain from doing so be greater than the gain available from unilateral liberalization; reciprocal concessions intend to ensure that such gains will materialise.^[45]
3. **Binding and enforceable commitments.** The tariff commitments made by WTO members in a multilateral trade negotiation and on accession are enumerated in a schedule (list) of concessions. These schedules establish "ceiling bindings": a country can

change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. If satisfaction is not obtained, the complaining country may invoke the WTO dispute settlement procedures.

4. **Transparency.** The WTO members are required to publish their trade regulations, to maintain institutions allowing for the review of administrative decisions affecting trade, to respond to requests for information by other members, and to notify changes in trade policies to the WTO. These internal transparency requirements are supplemented and facilitated by periodic country-specific reports (trade policy reviews) through the Trade Policy Review Mechanism (TPRM). The WTO system tries also to improve predictability and stability, discouraging the use of quotas and other measures used to set limits on quantities of imports.
5. **Safety valves.** In specific circumstances, governments are able to restrict trade. The WTO's agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health.

There are three types of provision in this direction:

- Articles allowing for the use of trade measures to attain non-economic objectives;
- Articles aimed at ensuring "fair competition"; members must not use environmental protection measures as a means of disguising protectionist policies.
- Provisions permitting intervention in trade for economic reasons.

Organizational structure

The General Council has the following subsidiary bodies which oversee committees in different areas:

- Council for Trade in Goods

There are 11 committees under the jurisdiction of the Goods Council each with a specific task. All members of the WTO participate in the committees. The Textiles Monitoring Body is separate from the other committees but still under the jurisdiction of Goods Council. The body has its own chairman and only 10 members. The body also has several groups relating to textiles.^[48]

- Council for Trade-Related Aspects of Intellectual Property Rights

Information on intellectual property in the WTO, news and official records of the activities of the TRIPS Council, and details of the WTO's work with other international organizations in the field.

- Council for Trade in Services

The Council for Trade in Services operates under the guidance of the General Council and is responsible for overseeing the functioning of the General Agreement on Trade in Services (GATS). It is open to all WTO members, and can create subsidiary bodies as required.

- Trade Negotiations Committee

The Trade Negotiations Committee (TNC) is the committee that deals with the current trade talks round. The chair is WTO's director-general. As of June 2012 the committee was tasked with the Doha Development Round.

Decision-making

The WTO describes itself as "a rules-based, member-driven organization — all decisions are made by the member governments, and the rules are the outcome of negotiations among members". The WTO Agreement foresees votes where consensus cannot be reached, but the practice of consensus dominates the process of decision-making.

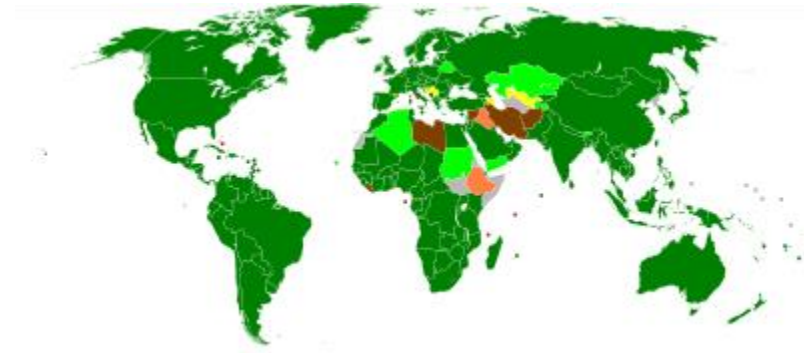
Richard Harold Steinberg (2002) argues that although the WTO's consensus governance model provides law-based initial bargaining, trading rounds close through power-based bargaining favoring Europe and the U.S., and may not lead to Pareto improvement.

Dispute settlement








In 1994, the WTO members agreed on the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) annexed to the "Final Act" signed in Marrakesh in 1994. Dispute settlement is regarded by the WTO as the central pillar of the multilateral trading system, and as a "unique contribution to the stability of the global economy". WTO members have agreed that, if they believe fellow-members are violating trade rules, they will use the multilateral system of settling disputes instead of taking action unilaterally.

The operation of the WTO dispute settlement process involves the DSB panels, the Appellate Body, the WTO Secretariat, arbitrators, independent experts and several specialized institutions. Bodies involved in the dispute settlement process, World Trade Organization.

Accession process



WTO accession progress:

-  Members (including dual-representation with the European Union)
-  Draft Working Party Report or Factual Summary adopted
-  Goods and/or Services offers submitted
-  Memorandum on Foreign Trade Regime (FTR) submitted
-  Observer, negotiations to start later or no Memorandum on FTR submitted
-  Frozen procedures or no negotiations in the last 3 years
-  No official interaction with the WTO

Members and observers

The WTO has 159 members and 25 observer governments. In addition to states, the European Union is a member. WTO members do not have to be full sovereign nation-members. Instead, they must be a customs territory with full autonomy in the conduct of their external commercial relations. Thus Hong Kong has been a member since 1995 (as "Hong Kong, China" since 1997) predating the People's Republic of China, which joined in 2001 after 15 years of negotiations. The Republic of China acceded to the WTO in 2002 as "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu" (Chinese Taipei) despite its disputed status. The WTO Secretariat omits the official titles (such as Counselor, First Secretary, Second Secretary and Third Secretary) of the members of Chinese Taipei's Permanent Mission to the WTO, except for the titles of the Permanent Representative and the Deputy Permanent Representative.

As of 2007, WTO member states represented 96.4% of global trade and 96.7% of global GDP. Iran, followed by Algeria, are the economies with the largest GDP and trade outside the WTO, using 2005 data. With the exception of the Holy See, observers must start accession negotiations within five years of becoming observers. A number of international intergovernmental

organizations have also been granted observer status to WTO bodies.^[73] 14 states and two territories so far have no official interaction with the WTO.

In December 2013, the biggest agreement within the WTO was signed and known as the Bali Package. Office of director-general




The headquarters of the World Trade Organization, in Geneva, Switzerland.





The procedures for the appointment of the WTO director-general were published in January 2003. Additionally, there are four deputy directors-general. As of 1 October 2013, under director-general Roberto Azevêdo, the four deputy directors-general are Yi Xiaozhun of China, Karl-Ernst Brauner of Germany, Yonov Frederick Agah of Nigeria and David Shark of the United States.

List of directors-general

Source: Official website

-  Roberto Azevêdo, 2013–
-  Pascal Lamy, 2005–2013
-  Supachai Panitchpakdi, 2002–2005
-  Mike Moore, 1999–2002
-  Renato Ruggiero, 1995–1999
-  Peter Sutherland, 1995

(Heads of the precursor organization, GATT):

-  Peter Sutherland, 1993–1995
-  Arthur Dunkel, 1980–1993
-  Olivier Long, 1968–1980
-  Eric Wyndham White, 1948–1968