

WTO OVERVIEW

Seminar on Ethiopian WTO Accession Negotiations
with focus on Financial Services

Centre for WTO Studies, IIFT , New Delhi

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WHAT IS WTO?

- **An inter-governmental organisation**
- **Came into effect on 1/1/1995 as a result of the Uruguay Round of negotiations**
- **More than 150 Members**
- **Main role is to frame and administer rules for conduct of international trade**
- **Origins of WTO in GATT**

HOW DID GATT COME INTO BEING?

- On 30th October, 1947, General Agreement on Tariffs and Trade adopted by UN Conference on Trade and Employment
- Trade liberalisation viewed as employment promoter
- GATT, a contract, not an organisation
- GATT emphasised progressive reduction of tariffs
- In all, 8 rounds of negotiations under GATT; Kennedy Round, Tokyo Round and Uruguay Round the last 3
- **Certain degree of success in achieving tariff reduction**

Weaknesses of GATT

Limited participation by developing country

members

- **Agriculture and textiles sectors kept out of the**

mainstream

- **Weak Dispute Settlement System**

HOW DID WTO COME INTO BEING?

Uruguay Round negotiations launched in 1986 and concluded in 1993

Key features :

- **Specific agreements relating to Agriculture and Textiles**
- **Many new disciplines to eliminate measures like VERs etc.**
- **An agreement on Services, an area not covered by the old GATT**

HOW DID WTO COME INTO BEING? (contd.)

- **An agreement on TRIPS, providing for minimum standards relating to different kinds of Intellectual Property Rights**
- **A fast, automatic Dispute Settlement System with provisions for retaliatory actions**
- **Based on the concept of single undertaking**
- **Establishment of an organisation, that is, WTO**

PHILOSOPHY OF WTO

- Trade contributes to growth and employment
- Trade liberalisation is to be achieved through reduction of tariff and non-tariff barriers
- Predictability and security of trade through binding commitments increases trade
- Well-defined rules relating to all matters impacting on trade will have a positive impact on trade

HOW ARE THE RULES ARRIVED AT?

- **Through negotiations among Members**
- **Decision making by consensus**
- **Consensus means absence of formal objection**
- **In the absence of consensus, voting provided for; but never resorted to in practice**
- **Consensus building slow and tortuous**
- **Does decision making by consensus imply veto power for every member ?**

FUNCTIONS OF THE WTO

- **Facilitating implementation, administration and operation of various WTO agreements**
- **Permanent Forum for negotiations among Members concerning their multilateral trade relations**
- **Administration of dispute settlement understanding**
- **Administration of trade policy review mechanism**

WHAT DOES 'WTO AGREEMENT' MEAN?

Marrakesh Agreement establishing the World Trade Organisation

Annex 1A-
Multilateral
agreements on
trade in goods

Annex 1B
- GATS

Annex 1C
- TRIPS

Annex 2
- DSU

Annex 3
- TPRM

Annex 4
- Plurilateral trade
agreements

WTO STRUCTURE



FUNDAMENTAL PRINCIPLES OF WTO

- Non-discrimination through:
 - Most Favoured Nation treatment (MFN)
 - National treatment

• **Transparency**

MFN TREATMENT PRINCIPLE

- **Article I:1 of GATT 1994 applicable to:**
 - **Customs duties**
 - **Charges of any kind concerned with imports and exports**
 - **Payments for all imports or exports**
 - **All procedures, rules etc.**

Any advantage, favour, privilege or immunity granted to imports from one country has to be extended unconditionally and immediately to all other countries

NATIONAL TREATMENT PRINCIPLE

- With respect to all domestic taxes, laws, procedures, etc.
 - Internal taxes
 - Other internal charges
 - Laws, regulations and requirements
- Affecting
 - Internal sale, offering for sale
 - Purchase, transportation, distribution or use of products
 - Internal quantitative regulations requiring the mixture, or use of products in specified amounts/ proportions
- **Should not be applied to imported or domestic products so as to afford protection to domestic production**

NATIONAL TREATMENT PRINCIPLE (contd.)

- In addition (III.4) :
 - The products of one country imported into another shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, distribution or use.

OTHER IMPORTANT PRINCIPLES OF WTO

- Prohibition of quantitative restrictions (a few exceptions)
- Protection of legitimate expectations
- Discouragement to unfair trade practices like dumping and subsidising

FEARS ABOUT WTO

- **Intrusive in nature; significantly reduces sovereignty of Members**
- **Serves the interest of powerful Members at the expense of weak Members**
- **The type of liberalisation promoted by WTO does not serve the interests of developing countries**
- **WTO accentuates the process of globalisation, resulting in greater inequalities**

TO WHAT EXTENT ARE THESE FEARS JUSTIFIED ?

ARE WE BETTER OFF WITH OR WITHOUT WTO ?

WTO as forum for trade negotiations

- In 2001 WTO members launched an ambitious round of trade negotiations under the Doha Work Programme (DWP).
- Agriculture, NAMA, Services, Dispute Settlement, Anti-Dumping Agreement, Subsidies Agreement, Trade and Environment etc. are some areas covered.
- No conclusion in sight

THANK YOU !
