

Centre for  
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Studies

विश्व व्यापार संगठन अध्ययन केन्द्र

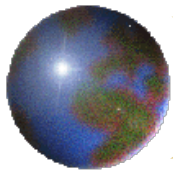
# *World Trade Organization: Its Genesis and Functioning*

Shashank Priya

Professor

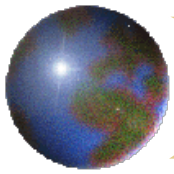
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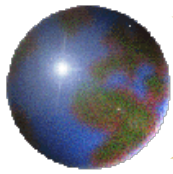
# *Genesis of the Multilateral Trading System*

- In 1944, Bretton Woods Conference (United Nations Monetary and Financial Conference) was convened to discuss
  - ❖ Post-war recovery of Europe
  - ❖ Monetary issues, such as unstable exchange rates and protectionist trade policies
- Delegates from 44 countries discussed the establishment of
  - ❖ International Trade Organization (ITO)
  - ❖ International Bank for Reconstruction and Development
  - ❖ International Monetary Fund



# *Motivations for Establishing Multilateral Trading System*

- Phased opening of markets by reducing/removing all forms of trade barriers
- Rules-based system to curb tendencies of unilateral action by larger trading countries
- Transparency in the making of global trading rules
- Predictability in the setting of trade rules provides ideal environment for business to operate



# *Establishment of the GATT*

## ➤ 1945

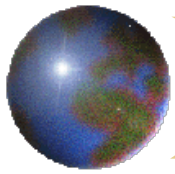
- ❖ The US and the UK mooted the idea of a World Conference on Trade and Employment

## ➤ 1946

- ❖ The UN Economic and Social Council of the United Nations adopted a US resolution
  - ✓ Convene an International Conference on Trade and Employment to promote expansion of the production, exchange and consumption of goods

## ➤ October 1947

- ❖ 23 countries (accounting for 70 per cent of world trade) signed an ad hoc agreement, the General Agreement on Tariffs and Trade (GATT)
  - ✓ India was a founder member of the GATT



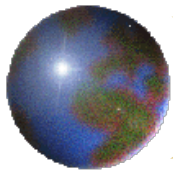
## *Establishment of the GATT (cont...)*

### ➤ 1948

- ❖ Adoption of the Final Act of the UN Conference on Trade and Employment in Havana in March 1948
  - ✓ “Havana Charter” for an International Trade Organization (ITO)

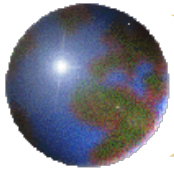
### ➤ 1950

- ❖ ITO became a non-starter as the US Congress did not ratify the Havana Charter
- ❖ President Truman never submitted the Havana Charter to the Congress in the face of weakening US business support



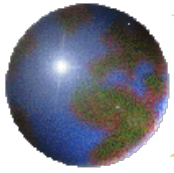
## *Objectives of the GATT (Havana Charter)*

- To assure a large and steadily growing volume of real income and effective demand,
- To increase the production, consumption and exchange of goods
  - ❖ ... and thus to contribute to a balanced and expanding world economy
- To foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development
- To encourage the international flow of capital for productive investment
- To promote on a reciprocal and mutually advantageous basis
  - ❖ Reduction of tariffs and other barriers to trade
  - ❖ Elimination of discriminatory treatment in international commerce
- To facilitate through the promotion of mutual understanding, consultation and co-operation the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy



## *Scope of the GATT*

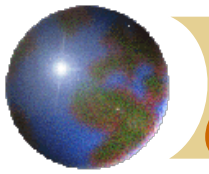
- Trade liberalisation involving the goods sector
  - ❖ Reduction of tariffs on industrial products
  - ❖ Elimination of quantitative restrictions and other non-tariff barriers
  - ❖ Development and strengthening of clear rules for the administration of trade policy measures



# *Exceptions to the GATT*

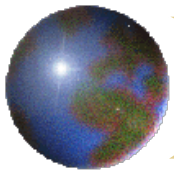
- Agricultural sector: effectively excluded on account of a waiver granted to the US in 1955, allowing it to use import controls
- Textiles and Clothing exports from the developing to the developed countries managed by quotas due to perceived threat to latter's industries
  - 1961: Short-term Agreement on Cotton Textiles
  - 1962: Long-term Agreement on Cotton Textiles
  - 1973: Multi Fibre Arrangement





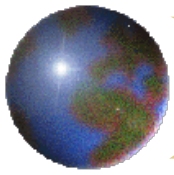
# *GATT and the Developing Countries*

- Article XVIII authorised a *less-developed contracting party* to impose non-discriminatory quantitative restrictions in order to assist economic development or reconstruction
- Tariff reductions under GATT addressed the needs of less-developed contracting parties for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes (Article XXVIII *bis*)
- Part IV of the GATT, introduced in 1965, included the non-reciprocity provision favouring developing countries
  - ❖ The developed contracting parties *do not expect reciprocity* for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties



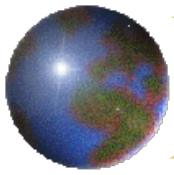
# *Functioning of the GATT*

- **1948-1995:** Eight Rounds of Multilateral Trade Negotiations
  - ❖ Geneva Round, 1948 – tariff reduction
  - ❖ Annecy Round, France, 1949 - tariff reduction
  - ❖ Torquay Round, England, 1951 - tariff reduction
  - ❖ Geneva Round, 1956 - tariff reduction
  - ❖ Dillon Round, 1960-62 - tariff reduction



## *Functioning of the GATT (cont...)*

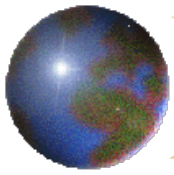
- **Kennedy Round: 1964-67**
  - ❖ Reducing tariffs by one-half on an average
  - ❖ Disciplining non-tariff barriers
  - ❖ Strengthening of the GATT rules
  - ❖ Adoption of measures to help developing economies to strengthen their production potential and export capacity in order that the expansion of international trade may contribute to their economic development



## *Functioning of the GATT (cont...)*

### ➤ **Tokyo Round: 1973-79**

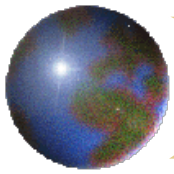
- ❖ Overall reduction of tariffs by an average level of 35 per cent
- ❖ Codes on non-tariff barriers
- ❖ Government procurement
- ❖ Rules governing customs valuation
- ❖ Subsidies and countervailing measures
- ❖ Anti-dumping measures
- ❖ Agreement on Technical Barriers to Trade
- ❖ Import licensing



## *Functioning of the GATT (cont...)*

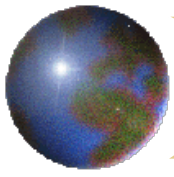
### ➤ **1986-94: Uruguay Round**

- ❖ Widening the negotiating mandate of the GATT
  - ✓ Services
  - ✓ Intellectual Property rights
  - ✓ Investment issues
- ❖ Inclusion of agriculture
- ❖ Integration of textiles and clothing sector
- ❖ Tightening the rules
- ❖ All contracting parties expected to take commitments for liberalisation of trade- ‘Single Undertaking’
- ❖ Establishment of the World Trade Organization



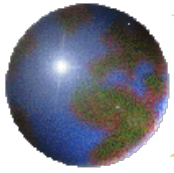
## *Objectives of the WTO (Marrakesh Agreement)*

- Recognises that relations in the field of trade and economic endeavour should be conducted with a view to
  - ❖ Raising standards of living,
  - ❖ Ensuring full employment and a large and steadily growing volume of real income and effective demand
  - ❖ Expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development
- Enhance the means for realising the aforementioned in a manner consistent with their respective needs and concerns at different levels of economic development



## *Objectives of the WTO (cont...)*

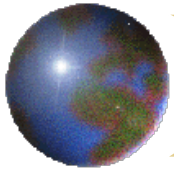
- Reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade
- Elimination of discriminatory treatment in international trade relations
- Recognizes the need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development



## *Structure of the WTO*

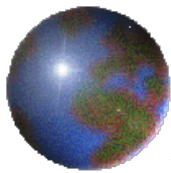
- Final Act of the Uruguay Round Negotiations
- Marrakesh Agreement establishing the WTO
  - ❖ Multilateral Agreements on Trade in Goods
  - ❖ General Agreement on Trade in Services (GATS)
  - ❖ Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)
  - ❖ Trade Policy Review Mechanism
  - ❖ Plurilateral Agreements (Optional)
  - ❖ Dispute Settlement Mechanism



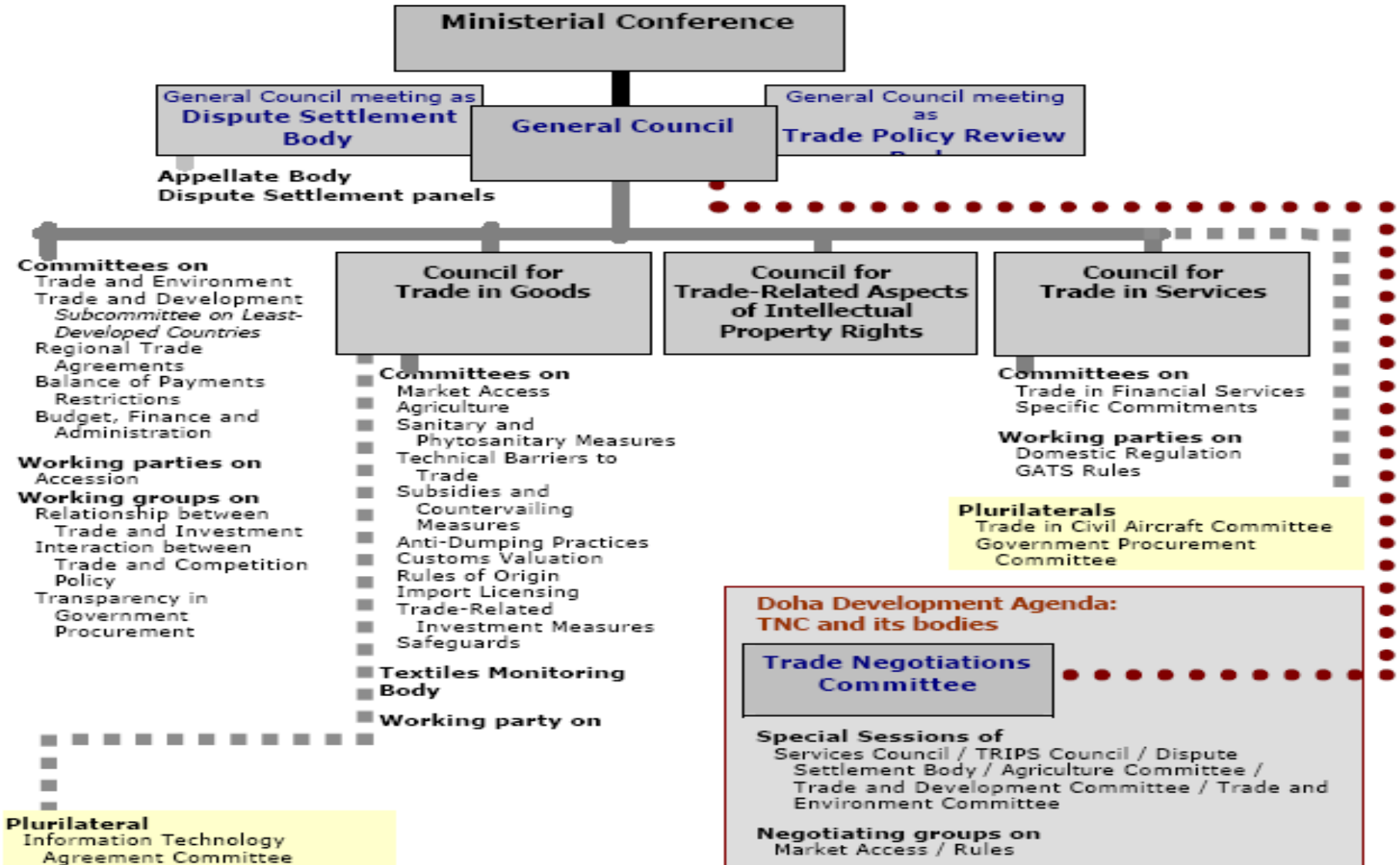


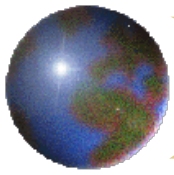
# *Organization of the WTO*

- Ministerial Conference (held at least once in two years)
  - ❖ General Council
    - ✓ Council for Trade in Goods
      - Committees on covered Agreements
    - ✓ Council for Trade in Services
    - ✓ Council for Trade Related Aspects of Intellectual Property Rights
    - ✓ Committees/Working Groups on New Issues
    - ✓ Working Parties on Accession of New Members
  - ❖ Dispute Settlement Mechanism



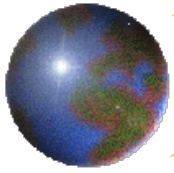
# Structure of the WTO





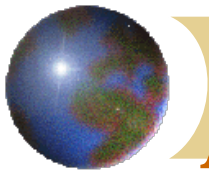
## *Present Status of the WTO*

- 153 Members – Cape Verde, the most recent member (joined on 23 July 2008)
  - ❖ Russian Federation is the only major country that is not a WTO Member
  - ❖ 32 of the 50 least developed countries recognised by the UN are WTO Members
- 30 countries are observers, of which 29 have initiated process of accession



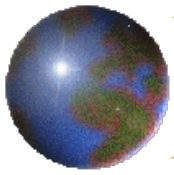
# *Core Principles of the WTO*

- Non-discrimination
  - ❖ Most-favoured nation
  - ❖ National Treatment
- Protection by tariff only and elimination of QRs
- Predictability
- Transparency



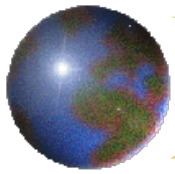
## *Major Issues*

- Market Access Issues
  - ❖ Reduction of tariffs and non-tariff barriers in industrial and agricultural sectors
- Rules for the orderly conduct of trade based on economic efficiency
- Harmonisation of standards: food safety and technical standards
- Liberalisation of Trade in Services
- Harmonisation of norms and standards governing intellectual property protection
- Environment-related issues having “trade implications”



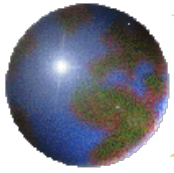
# *Coverage of the Goods Sector*

- Agreements having sectoral focus
  - ❖ Agreement on Agriculture
  - ❖ Agreement on Textiles and Clothing
- Procedural Issues
  - ❖ Agreement on Preshipment Inspection (new)
  - ❖ Agreement on Rules of Origin (new)
  - ❖ Agreement on Import Licensing Procedures (Art. VIII & X)
  - ❖ Agreement in Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (Customs Valuation) (Art. VI)



## *Coverage of the Goods Sector (cont.)*

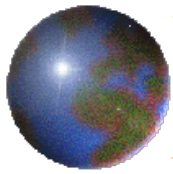
- Harmonisation of standards
  - ❖ Agreement on the Application of Sanitary and Phytosanitary Measures (Art. XX)
  - ❖ Agreement on Technical Barriers to Trade (Tokyo Round Code)
- Trade defense measures
  - ❖ Agreement on Subsidies and Countervailing Measures (Art. VI & XVI)
  - ❖ Agreement on Safeguards (Art. XIX)
  - ❖ Agreement in Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Anti-dumping Measures) (Art. VI)



## *Coverage of the Goods Sector (cont.)*

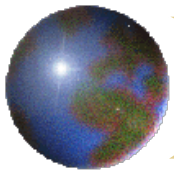
- Agreement on Trade-Related Investment Measures (Art. III)
  - ❖ Prohibits imposition of performance requirements on foreign investors
  - ❖ No foreign exchange balancing
- Market Access for Non-agricultural products
  - ❖ Tariffs
  - ❖ Non-tariff barriers





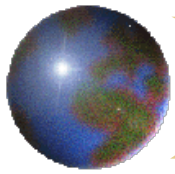
# *Coverage of the General Agreement on Trade in Services (GATS)*

- Business services
- Communication services
- Construction and related engineering services
- Distribution services
- Education services
- Environmental services
- Financial services
- Health related and social services
- Tourism and travel related services
- Recreation culture and sporting services
- Transportation services
- Other services not included elsewhere



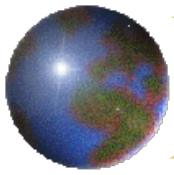
# *Four Modes of Supply of Services*

- Mode 1: Cross-border trade
  - ❖ Corresponds with the normal form of trade in goods and maintains a clear geographical separation between seller and buyer
- Mode 2: Consumption abroad
  - ❖ Refers to situations where a service consumer moves into another Member's territory to obtain a service
- Mode 3: Commercial Presence
  - ❖ Establishment of an enterprise for providing services
- Mode 4: Temporary movement of “natural persons”



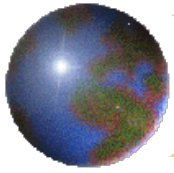
# *Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)*

- Effective Protection to the following forms of Intellectual Property Rights
  - ❖ Patents
  - ❖ Plant Breeders Rights
  - ❖ Copyright and Related Rights
  - ❖ Trademarks
  - ❖ Industrial Designs
  - ❖ Layout-Designs of Integrated Circuits
  - ❖ Geographical Indications
  - ❖ Trade Secrets



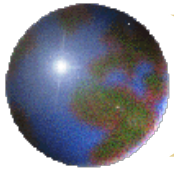
## *Dispute Settlement: The Basic Facts*

- One of the key features of the WTO which sets this organisation apart from the other multilateral organisations
  - ❖ Dispute settlement procedures of the WTO have “teeth”
- Dispute can be initiated if a Member feels that its trading partner is not fulfilling or not adhering to its commitments
- WTO seeks to provide a time-bound resolution of disputes



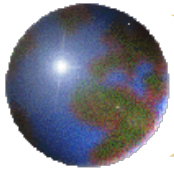
# *Plurilateral Trade Agreements*

- Agreement on Trade in Civil Aircraft
- Agreement on Government Procurement
- International Dairy Agreement
- International Bovine Meat Agreement
- Last two discontinued in 1997



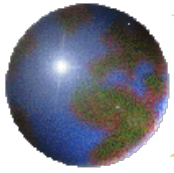
# *Ministerial Conferences*

- Singapore: 1996
- Geneva: 1998
- Seattle: 1999
- Doha: 2001
- Cancun: September 2003
- Hong Kong: 2005
- Geneva: 2009



# *Singapore Ministerial Conference: The Main Issues*

- Implementation of Uruguay Round Agreement
- Trade and Environment
- Services
- Information Technology Agreement
- “*Singapore Issues*”
  - ❖ Trade and Investment
  - ❖ Trade and Competition Policy
  - ❖ Transparency in Government Procurement
  - ❖ Trade Facilitation

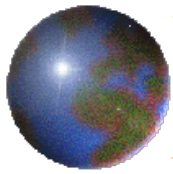


# *Geneva Ministerial Conference*

## *Main Issues*

- Implementation
  
- Declaration on global electronic commerce
  - ❖ To examine all trade-related issues relating to global electronic commerce

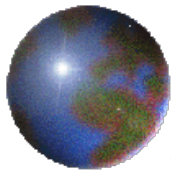




# *Seattle Ministerial Conference*

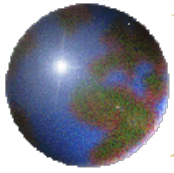
## *Main Issues*

- Millennium Round of Trade Negotiations
  
- Review of implementation
  
- Expansion of WTO's mandate
  - ❖ Inclusion of “Core Labour Standards” – US initiative
  - ❖ Inclusion of the four “Singapore Issues”



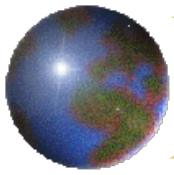
# *Doha Ministerial Conference: Main Issues*

- Comprehensive negotiations covering all the Agreements for deepening the process of trade liberalisation
- Expansion of the mandate of the WTO
- Review of implementation of the covered Agreements
- Ministerial Declaration on TRIPS Agreement and Public Health aimed at facilitating access to medicines



# *Post-Doha Work Programme*

- Implementation-Related Issues and Concerns
- Agriculture
  - ❖ Review of the Agreement on Agriculture with a view to liberalising trade and removing distortions
  - ❖ Special and differential treatment for developing countries so that they can take account of their development needs, including food security and rural development



# Post-Doha Work Programme (cont.)

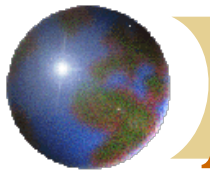
## ➤ Services

### ❖ Negotiations aimed at

- ✓ Progressive liberalisation giving due respect to national policy objectives, the level of development and the size of economies of individual Members
- ✓ Increasing participation of developing countries

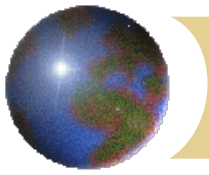
## ➤ Market Access for Non-agricultural Products

- ❖ Negotiations for reduction or as appropriate, *eliminating tariffs*, including *the reduction or elimination of tariff peaks, high tariffs*, and *tariff escalation*, as well as *non-tariff barriers*, in particular on *products of export interest to developing countries*



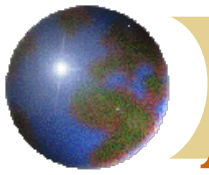
## *Post-Doha Work Programme (cont.)*

- Trade-Related Aspects of Intellectual Property Rights
  - ❖ Review of Article 27.3(b) relating to patentable subject matter
  - ❖ Review of the implementation of the TRIPS Agreement under Article 71.1
  - ❖ To examine the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore
  - ❖ Implementation and interpretation of the TRIPS Agreement in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines
  - ❖ Negotiations for the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits



## *Post-Doha Work Programme (cont.)*

- Singapore Issues
  - ❖ Trade and Investment
  - ❖ Trade and Competition Policy
  - ❖ Trade Facilitation
  - ❖ Transparency in Government Procurement
- Negotiations to take place after the Fifth Session of the Ministerial Conference (Cancun Ministerial Conference) on the basis of a decision to be taken, *by explicit consensus*, at that Session on modalities of negotiations



## *Post-Doha Work Programme (cont.)*

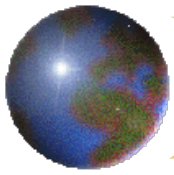
### ➤ WTO Rules

- ❖ Negotiations aimed at clarifying and improving disciplines under the Agreements on Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures

- ❖ Negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions relating to regional trade agreements

### ➤ Dispute Settlement Understanding

- ❖ Negotiations on improvements and clarifications of the Dispute Settlement Understanding



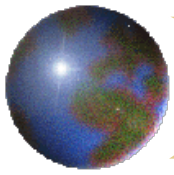
# *Post-Doha Work Programme (cont.)*

## ➤ Trade and Environment

### ❖ Negotiations on

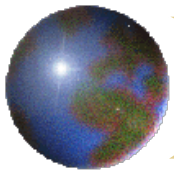
- ✓ Relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements
- ✓ Reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services





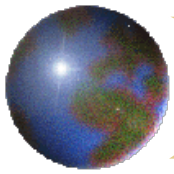
## *Post-Doha Work Programme (cont.)*

- Working Groups
  - ❖ Trade, Debt and Finance
  - ❖ Trade and Transfer of Technology
- Electronic Commerce
- Special and Differential Treatment for Developing Countries
  - ❖ Provisions to be reviewed for strengthening them and making them more precise, effective and operational
- Work programme on issues relating to small economies, with a view to making small, vulnerable economies fully integrated into the multilateral trading system



## *Time Table for Doha Round*

- Agriculture: Modalities for further commitments to be established no later than 31 March 2003
- Services: Initial requests to be made by 30 June 2003 and initial offers by 31 March 2003
- TRIPS Agreement: Establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Ministerial Conference (Cancun Ministerial Conference)
- Singapore Issues: Decision on negotiations in the Fifth Ministerial Conference



## *Time Table for Doha Round (cont.)*

- Dispute Settlement Understanding: Additional proposals by Members and an agreement on improvements and clarifications not later than May 2003
- The Fifth Session of the Ministerial Conference “to take stock of progress in the negotiations, provide any necessary political guidance, and take decisions as necessary”
- The negotiations shall be concluded not later than 1 January 2005



## *Where are we now?*

### ➤ Agriculture

- ❖ Substantial progress has been made on the key issues

  - ✓ High subsidies in US/EU

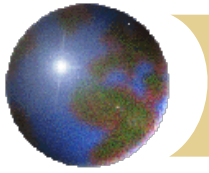
  - ✓ Food security and livelihood concerns in developing countries

### ➤ Non-agricultural market access

- ❖ Some differences remain between the US and a few advanced developing countries

### ➤ Services

- ❖ Positive signals have been received from the developed countries on issues of interest to developing countries



Thank you