

WORLD TRADE ORGANISATION (WTO)

The World Trade Organization (WTO) is an intergovernmental organization which regulates international trade. The WTO officially commenced on 1 January 1995 under the Marrakesh Agreement, signed by 123 nations on 15 April 1994, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The deals with regulation of trade between participating countries by providing a framework for negotiating trade agreements and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member 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 WTO is attempting to complete negotiations on the Doha Development Round, which was launched in 2001 with an explicit focus on 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 fair trade on agricultural products (requested by developing countries) remain the major obstacles. This impasse has made it impossible to launch new MO negotiations beyond the Doha Development Round. As a result, there have been an increasing number of bilateral free trade agreements between governments. 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.

The MO's current Director-General is Roberto who leads a staff of over 600 people in Geneva, Switzerland.^{L131} 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.

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 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.

The GATT was the only multilateral instrument governing international trade from 1946 until the WTO was established on 1 January 1995.¹²¹¹ 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.

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.

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 responded to the criticisms by arguing that progress would only be achieved if the richest countries.

Well before GATT's 40th anniversary, its members concluded that the GATT system was straining to adapt to a new globalizing world economy.^{125112QJ} 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

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 (GATS)
- Intellectual property — the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Dispute settlement
- Reviews of governments' trade policies

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 Ministerial conferences.

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

The highest decision-making body of the MO 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 (1996) was held in Singapore. Disagreements between Largely developed end the developing economies emerged during this conference being collectively referred to as Singapore Issues.

- The second ministerial conference (1998) was held in Geneva in Switzerland.
- The third conference (1999) in Seattle. Washington ended in failure, with massive demonstrations and police and National Guard crowd-control efforts drawing worldwide attention.
- The fourth ministerial conference (2001) 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 (2003) was held in Cancun, Mexico, aiming at foreign

agreement on the Doha round. An alliance of 22southern states, the G20 developing nations (led by India, China, 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 MO ministerial conference (2005) was held in 13—18 December 2005 in Hong Kong. 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 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

the general theme for discussion was "The WTO, the Multilateral Trading System

and the Current Global Economic Environment.

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. 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 liberalisation and rule-making. It would confirm the MO 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.

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
- It provides a forum for negotiations and fostering disputes.

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.

- 1 . The INTO shall facilitate the implementation, administration and operation and further the objectives of this Agreement and of the Multilateral Trade Agreements, and shall also provide the frame work for the implementation, administration and operation Of the multilateral Trade Agreements.
2. The WTO shall provide the forum for negotiations among its members concerning their multilateral trade relations in matters dealt with under the Agreement in the Annexes to this Agreement.
3. The WTO shall administer the Understanding on Rules and Procedures Governing the Settlement of Disputes.
4. The VVTO shall administer Trade Policy Review Mechanism.

5. With a view to achieving greater coherence in global economic policy making, the WTO shall cooperate, as appropriate, with the international Monetary Fund (IMF) and with the

International Bank for Reconstruction and Development (IBRD) and its affiliated

The above five listings are the additional functions of the world Trade Organization. As globalization proceeds in today's society, the necessity of an International organization to manage the trading systems has been of vital importance. As the trade volume increases, issues such as protectionism, trade barriers, subsidies, violation of intellectual property arise due to the differences in the trading rules of every nation. The World Trade Organization serves as the mediator between the nations when such problems arise. MO could be referred to as the product of globalization and also as one of the most important organizations in today's globalized society.

The WTO is also a centre 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. Finally, the MO cooperates closely with the two other components of the Bretton Woods system, the IMF and the World Bank.

Principles

The MO 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. Five principles are of particular importance in understanding both the pre-1994 GATT and the work:

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 member has to grant the most favourable conditions under which it allows trade in a certain product type to all other WTO members. ^{tB1} "Grant someone a special favour

and you have to do the same for all other WTO members. "LQI National treatment means that imported goods should be treated no less favourably 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).

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 materialising
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).UQI 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 WTOs agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health.142

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.

Exceptions to the MFN principle also allow Or preferential treatment of developing countries, regional free trade areas and customs unions.

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.

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

The Trade Negotiations chairs committee (TNC) is the committee that deals with the current trade background. The MO's' director-general. As of June 2012 the committee was tasked with the Doha Development Round

The Service council has three subsidiary bodies: financial services,

domestic regulations, GATS rules and specific The council has several different committees, working groups, and working

There are committees on the following: –

Trade and Development (Subcommittee on Least-Developed Countries); Regional Trade Agents; Balance of Payments Restrictions; and Budget, Finance and Administration. There are working parties on the following: Accession. There are working groups on the following: Trade, debt and finance; and Trade and technology transfer.

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 MO 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 favouring Europe and the U.S., and may not lead to Pareto improvement.

The MO's dispute-settlement system "is the result of the evolution of rules, procedures and practices developed over almost half a century under the GATT 1947" 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.^{@1}

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". MO 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 case-specific appointed by the Dispute Settlement

The priority is to settle disputes, preferably through a mutually agreed solution, and provision has been made for the process to be conducted in an efficient and timely manner so that "If a case is adjudicated, it should normally take no more than one year for a panel ruling and no more than 16 months if the case is appealed... If the complainant deems the case urgent, consideration of the case should take even less time. WTO member nations are obliged to accept the process as exclusive and compulsory.

Accession and membership

Main article: World Trade Organization accession and membership

The process of becoming a WTO member is unique to each applicant country, and the terms of accession are dependent upon the country's stage of economic development and current trade regime. The process takes about five years, on average, but it can last longer if the country is less than fully committed to the process or if political issues interfere. The shortest accession negotiation was that of the Kyrgyz Republic, while the longest was that of Russia, which, having first applied to join GATT in 1993, was approved for membership in December 2011 and became a WTO member on 22 August 2012.^u Kazakhstan also had a long accession negotiation process. The Working Party on the Accession of Kazakhstan Was established in 1996 and was approved for membership in 2015.⁰¹ The second longest was that of Vanuatu, whose Working Party on the Accession of Vanuatu was established on 11 July 1995. After a final meeting of the Working Party in October 2001, Vanuatu requested more time to consider its accession terms. In 2008, it indicated its interest to resume and conclude its WTO accession. The Working Party on the Accession of Vanuatu was reconvened informally on 4 April 2011 to discuss Vanuatu's future WTO membership. The re-convened Working Party completed its mandate on 2 May 2011. The General Council formally approved the Accession Package of Vanuatu on 26 October 2011. On 24 August 2012, the WTO welcomed Vanuatu as its 157th member.

An offer of accession is only given once consensus is reached among interested parties.

Working Party

A country wishing to accede to the WTO submits an application to the General Council, and has to describe all aspects of its trade and economic policies that have a bearing on WTO agreements. The application is submitted to the WTO in a working party which is examined by a working party open to all interested WTO Members.

After all necessary background information has been acquired, the working party focuses on issues of discrepancy between the WTO rules and the applicant's international and domestic trade policies and laws. The working party determines the terms and conditions of entry into the WTO for the applicant nation, and may consider transitional periods to allow countries some leeway in complying with the WTO rules.

The final phase of accession involves bilateral negotiations between the applicant nation and other working party members regarding the concessions and commitments on tariff levels and market access for goods and services. The new member's commitments are to apply equally to all WTO members under normal non-discrimination rules, even though they are negotiated bilaterally.

When the bilateral talks conclude, the working party sends to the general council or ministerial conference an accession package, which includes a summary of all the working party meetings, the Protocol of Accession (a draft membership treaty), and lists ("schedules") of the member-to-be's commitments. Once the general council or ministerial conference approves of the terms of accession, the applicant's parliament must ratify the Protocol of Accession before it can become a member! Some countries may have faced tougher and a much longer

accession process due to challenges during negotiations with other WTO members, such as Vietnam, whose negotiations took more than 11 years before it became official member in January 2007.tü

Members and observers

The MO has 163 members and 20 observer governments. Liberia became the 163rd member on 14 July 2016. and Afghanistan is set to become the 164th member on 29 July 2016.^{1211%}) In addition to states, the European Union is a member. WTO members do not have to be fully independent states. 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 (Taiwan) acceded to the MO in 2002 as "Separate Customs Territory

of Taiwan, Penghu, Kinmen and Matsu" (Chinese Taipei) despite its disputed status,¹¹ The Secretariat omits the official titles (such as Counsellor, 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.¹⁸⁶¹³⁷¹ 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 O bodies.¹⁴ UN member states have no official affiliation with the WTO.

Agreements

Further information: Uruguay Round

The oversees about 60 different agreements which have the status of international legal texts. Member countries must sign and ratify all WTO agreements on accession.^{0]} A discussion of some of the most important agreements follows. The Agreement on Agriculture came into effect with the establishment of the WTO at the beginning of 1995. The AoA has three central concepts, or "pillars": domestic support, market access and export subsidies. The General Agreement on Trade in Services was created to extend the multilateral trading system to service sector, in the same way as the

General Agreement on Tariffs and Trade (GATT) provided such a system for merchandise trade. The agreement entered into force in January 1995. The Agreement on Trade-Related Aspects of Intellectual Property

Rights sets down minimum standards for many forms of intellectual property(IP) regulation. It was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994.

The Agreement on the Application of Sanitary and Phytosanitary Measures—also known as the SPS Agreement—was negotiated during the Uruguay Round of GATT, and entered into force with the establishment of the WTO at the beginning of 1995. Under the SPS agreement, the WTO sets constraints on members' policies relating to food safety (bacterial contaminants, pesticides, inspection and labelling) as well as animal and plant health (imported pests and diseases). The Agreement on Technical Barriers to Trade is an international treaty of the World Trade Organization.

It was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, and entered into force with at the end of 1994. The object ensures that standards, as well as testing and certification unnecessary obstacles to trade".^{L911} The formally known as the Agreement on prescribes methods of customs valuation that Chiefly, it adopts the "transaction value"