



WORLD TRADE ORGANIZATION

Headquarters: Geneva, Switzerland

Membership: 164 member states

Founded: 1 January 1995

Purpose: Reduction of tariffs and other barriers to trade

India is the founding member of WTO

By- Jyoti Rastogi

- The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments.
- The WTO has 164 members (including European Union) and 23 observer governments (like Iran, Iraq, Bhutan, Libya etc).
- Location: Geneva, Switzerland
- Established: 1 January 1995
- Created by: Uruguay Round negotiations (1986-94)
- Membership: 164 members representing 98 per cent of world trade
- Budget: 197 million Swiss francs for 2019
- Secretariat staff: 625
- Head: Roberto Azevêdo (Director-General)

Goals of WTO

- The WTO's global system lowers trade barriers through negotiation and operates under the principle of non-discrimination.
- The result is reduced costs of production (because imports used in production are cheaper), reduced prices of finished goods and services, more choice and ultimately a lower cost of living.
- The WTO's system deals with these in two ways.
- One is by talking: countries negotiate rules that are acceptable to all.
- The other is by settling disputes about whether countries are playing by those agreed rules.
- The WTO can stimulate economic growth and employment.
- The WTO can cut the cost of doing business internationally.

Goals of WTO

- The WTO can encourage good governance. Transparency — shared information and knowledge — levels the playing field.
- Rules reduce arbitrariness and opportunities for corruption.
- The WTO can help countries develop: Underlying the WTO's trading system is the fact that more open trade can boost economic growth and help countries develop.
- In that sense, commerce and development are good for each other.
- In addition, the WTO agreements are full of provisions that take into account the interests of developing countries.
- The WTO can give the weak a stronger voice: Small countries would be weaker without the WTO. Differences in bargaining power are narrowed by agreed rules, consensus decision-making and coalition building.
- Coalitions give developing countries a stronger voice in negotiations.
- The resulting agreements mean that all countries, including the most powerful, have to play by the rules. The rule of law replaces might-makes-right.

Goals of WTO

- The WTO can support the environment and health: The trade is nothing more than a means to an end. The WTO agreements try to make trade support the things we really want, including a clean and safe environment, and to prevent governments using these objectives as an excuse for introducing protectionist measures.
- The WTO can contribute to peace and stability: When the world economy is in turmoil, the multilateral trading system can contribute to stability.
- Trade rules stabilize the world economy by discouraging sharp backward steps in policy and by making policy more predictable. They deter protectionism and increase certainty. They are confidence-builders.

History

From the early days of the Silk Road to the creation of the General Agreement on Tariffs and Trade (GATT) and the birth of the WTO, trade has played an important role in supporting economic development and promoting peaceful relations among nations.

- The General Agreement on Tariffs and Trade (GATT) traces its origins to the 1944 Bretton Woods Conference, which laid the foundations for the post-World War II financial system and established two key institutions, the International Monetary Fund (IMF) and the World Bank.
- The conference delegates also recommended the establishment of a complementary institution to be known as the International Trade Organization (ITO), which they envisioned as the third leg of the system.
- In Havana in 1948, the UN Conference on Trade and Employment concluded a draft charter for the ITO, known as the Havana Charter, which would have created extensive rules governing trade, investment, services, and business and employment practices.
- The Havana Charter never entered into force, primarily because the U.S. Senate failed to ratify it. As a result, the ITO was stillborn.
- Meanwhile, an agreement as the GATT signed by 23 countries in Geneva in 1947 came into force on Jan 1, 1948 with the following purposes:
 - to phase out the use of import quotas
 - and to reduce tariffs on merchandise trade,

History

- The GATT became the only multilateral instrument (not an institution) governing international trade from 1948 until the WTO was established in 1995.
- Despite its institutional deficiencies, the GATT managed to function as a de facto international organization, sponsoring eight rounds (A round is a series of multilateral negotiations) of multilateral trade negotiations.
- So, the GATT became the only multilateral instrument governing international trade from 1948 until the WTO was established in 1995.
- The Uruguay Round, conducted from 1987 to 1994, culminated in the Marrakesh Agreement, which established the World Trade Organization (WTO).
 - The WTO incorporates the principles of the GATT and provides a more enduring institutional framework for implementing and extending them.
 - The GATT was concluded in 1947 and is now referred to as the GATT 1947. The GATT 1947 was terminated in 1996 and WTO integrated its provisions into GATT 1994.
 - The GATT 1994 is an international treaty binding upon all WTO Members. It is only concerned with trade in goods.

Why WTO replaced the GATT

- The GATT was only a set of rules and multilateral agreements and lacked institutional structure.
 - The GATT 1947 was terminated and WTO preserved its provisions in form of GATT 1994 and continues to govern trade in goods.
- The trade in services and intellectual property rights were not covered by regular GATT rules.
- The GATT provided for consultations and dispute resolution, allowing a GATT Party to invoke GATT dispute settlement articles if it believes that another Party's measure caused it trade injury.
 - The GATT did not set out a dispute procedure with great specificity resulting in lack of deadlines, laxity in the establishment of a dispute panel and the adoption of a panel report by the GATT Parties.
 - It made the GATT as a weak Dispute Settlement mechanism.

WTO Contribution to World

- The WTO is one of the three international organisations (the other two are the International Monetary Fund (IMF) and the World Bank Group) which by and large formulate and co-ordinate world economic policy. It is playing a crucial role in:
 - the international trade,
 - global economics,
 - and the political and legal issues arising in the international business because of globalization.
- It has emerged as the world's most powerful institution for reducing trade related barriers between the countries and opening new markets.
- It cooperates with the IMF and World Bank in terms of making cohesiveness in making global economic policies.
- Through resolving trade related disputes, the WTO has got the potential to maintain world peace and bilateral relations between its member countries thorough following negotiations, consultations and mediations.
- Global trade rules: Decisions in the WTO are typically taken by consensus among all members and they are ratified by members' parliaments. This leads to a more prosperous, peaceful and accountable economic world

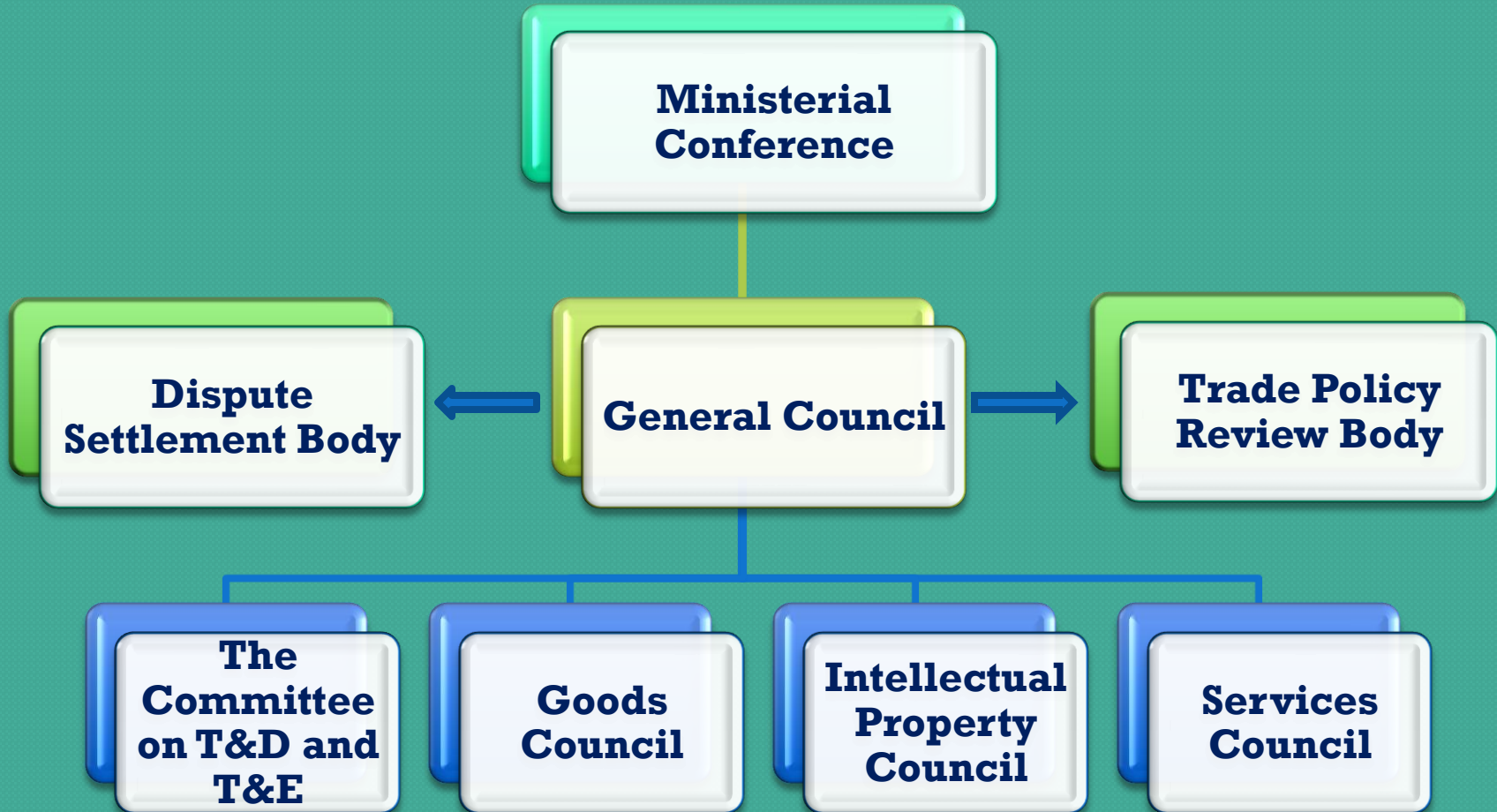
WTO Contribution to World

- **Trade negotiations:** The GATT and the WTO have helped to create a strong and prosperous trading system contributing to unprecedented growth.
- **The system was developed through a series of trade negotiations, or rounds, held under the GATT.** The 1986-94 round – the Uruguay Round – led to the WTO's creation.
- In 1997, an agreement was reached on telecommunications services, with 69 governments agreeing to wide-ranging liberalization measures that went beyond those agreed in the Uruguay Round.
- Also in 1997, 40 governments successfully concluded **negotiations for tariff-free trade in information technology products**, and 70 members concluded a **financial services deal** covering more than 95% of trade in banking, insurance, securities and financial information.

WTO Contribution to World

- In 2000, **new talks started on agriculture and services**. These were incorporated into a broader work programme, the **Doha Development Agenda**, launched at the fourth WTO Ministerial Conference (MC4) in Doha, Qatar, in November 2001.
- At the 9th Ministerial Conference (MC9) in Bali in 2003, WTO members struck the **Agreement on Trade Facilitation**, which aims to reduce border delays by slashing **red tape**.
- The expansion of the **Information Technology Agreement** – concluded at the 10th Ministerial Conference (MC10) in Nairobi in 2005 – **eliminated tariffs on an additional 200 IT products** valued at over US\$ 1.3 trillion per year.
- Most recently, an amendment to the **WTO's Intellectual Property Agreement** entered into force in 2017, easing poor economies' **access to affordable medicines**.
 - The same year saw the **Trade Facilitation Agreement enter into force**.

Structure of WTO



Organisational Structure of WTO

The decisions in WTO are taken through consensus among all member countries.

The top decision-making body is the Ministerial Conference. Ministerial conferences usually take place every two years.

The ministerial conference also appoints the director-general of WTO.

The current Director-General is Roberto Azevedo.

Day-to-day work is handled by three bodies:

- The General Council
- The Dispute Settlement Body
- The Trade Policy Review Body

The core agreements of WTO

- General Agreement on Tariffs and Trade (GATT)
 - Covers GOODS: all industrial products, consumer durables etc.
- General Agreement on Trade in services (GATS)
 - Covers SERVICES: banking, insurance, consultancy etc.
- The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
 - Covers INTELLECTUAL PROPERTY: patents, copyrights, trademarks etc.
- Dispute settlement
- Trade policy review.

Principles of the WTO

- **Non-Discrimination**– Non-Discrimination has two aspects: **Most favoured nation (MFN) and National Treatment**. Under the MFN, all WTO member countries should be treated equally, without discrimination. For example- India decides to lower basic customs duty for imports of iron-ore from China. This favour will have to be extended to all other countries. **National treatment**– Foreign goods and local goods must be treated equally.
- **Freer trade**– All trade barriers should be lowered gradually through negotiations.
- **Predictability**– There should be stability and predictability in the trade rules of a nation.
- **Promoting fair competition**
- **Encourage development and economic reforms**

WTO and India

- India is a founder member of the General Agreement on Tariffs and Trade (GATT) 1947 and its successor, the WTO.
 - India's participation in an **increasingly rule based system** in the **governance of international trade** is to ensure more stability and predictability, which ultimately would lead to more trade and prosperity.
- **Services exports account for 40% of India's total exports of goods and services. The contribution of Services to India's GDP is more than 55%.**
 - The sector (domestic and exports) provides employment to around 142 million people, comprising **28% of the work-force of the country**.
 - India's exports are mainly in the IT and IT enabled sectors, Travel and Transport, and Financial sectors.
 - The main destinations are the US (33%), the EU (15%) and other developed countries.
 - India has an **obvious interest in the liberalisation of services trade** and wants commercially meaningful access to be provided by the developed countries.
 - **Since the Uruguay Round, India has autonomously liberalised its Services trade regime across the board.**

WTO and India

- **Ensuring food and livelihood security** is critical, particularly for a **large agrarian economy like India**.
 - India is persistently demanding for a **permanent solution on public stockholding subsidies** at WTO.
 - At 2013 Ministerial Conference (MC9) in Bali, **an interim agreement** (a peace clause) was made on “public stockholding” continuing exceptions that allow developing countries to stockpile agricultural products **to protect against food shortages**.
- India strongly favours **extension of higher levels of protection** to geographical **indications** for products like **Basmati rice, Darjeeling tea, and Alphonso mangoes** at par with that **provided to wines and spirits** under the Trade-related Aspects of Intellectual Property Rights (TRIPS) agreement.
- **Developed countries** have been putting pressure on **inclusion of non-trade issues** such as **labour standards, environmental protection, human rights**, rules on investment, competition policy **in the WTO agreements**.
 - India is against **any inclusion of non-trade issues** that are directed in the long run at **enforcing protectionist measures** (based on non-trade issues, the developed countries like **USA and European Union are trying to ban the imports** of some goods like textile, processed food etc.), particularly against developing countries.

THANKS