

GATT and WTO

- **Global Trade Importance:** Trade plays a vital role in economic growth, development, and global cooperation.
- **Post-War Trade System:** After WWII, there was a need to establish an international system to regulate trade and prevent protectionism.
- **Birth of GATT (1947):** As a temporary arrangement to regulate trade, reduce tariffs, and promote multilateral trade.
- **Transition to WTO (1995):** GATT was replaced by the World Trade Organization (WTO) to meet the needs of a rapidly changing and globalizing economy.

GATT – General Agreement on Tariffs and Trade

Key Points:

- **Established:** 1947 by 23 countries.
- **Nature:** Not a formal organization, but a multilateral treaty.
- **Objectives:**
 - Promote international trade.
 - Reduce tariff barriers.
 - Prevent discriminatory practices.

Limitations:

- No institutional structure.
- Focused only on goods (excluded services, intellectual property).
- No enforcement mechanism for trade disputes.

Establishment of WTO

Why WTO Was Needed:

- Expanding global trade required coverage beyond goods – including **services** and **intellectual property**.
- To create a **permanent body** with proper enforcement mechanisms.
- GATT was a provisional agreement; WTO became a full-fledged international organization.

Formation of WTO:

- **Formed:** January 1, 1995.
- **Legal Basis:** Marrakesh Agreement, signed by 123 nations in 1994.
- **Headquarters:** Geneva, Switzerland.

- **Current Members:** 164+ (as of 2024).

Role of WTO

WTO plays a **central role in the global trade system**. It provides a platform for countries to **negotiate trade agreements, resolve disputes, and monitor policies**.

Key Roles:

1. Trade Negotiation Forum

- WTO is a platform for countries to negotiate new trade agreements.
- It promotes liberalization through **Rounds of negotiations** (e.g., Doha Round).

2. Dispute Resolution Body

- One of WTO's strongest features is its **binding dispute settlement mechanism**.
- Helps prevent trade wars by providing a **legal process** for resolving conflicts.

3. Trade Rules Enforcement

- Ensures countries follow the agreed rules.
- Helps maintain predictability and stability in international trade.

4. Monitoring Trade Policies

- Through the **Trade Policy Review Mechanism (TPRM)**, WTO monitors and evaluates the trade policies of member countries.
- Increases transparency and accountability.

5. Capacity Building & Technical Assistance

- Assists **developing and least-developed countries** in improving their trade capacity.
- Offers **training programs, workshops, and policy support**.

6. Platform for Dialogue and Cooperation

- Promotes dialogue on **new trade challenges** like e-commerce, climate change, digital economy, and food security.
- Encourages international cooperation.

5. Functions of WTO (As per Article III of Marrakesh Agreement)

1. Facilitating Implementation of Multilateral Agreements

- Ensures that agreements on goods (GATT), services (GATS), and intellectual property (TRIPS) are implemented effectively.

2. Forum for Negotiations

- Encourages future negotiations among members on trade matters.

3. Administering Dispute Settlement

- Through the **Dispute Settlement Understanding (DSU)**, WTO provides a legal framework for resolving trade disputes.

4. Review of National Trade Policies

- Regular reviews ensure that members adhere to trade rules and promote transparency.

5. Cooperation with Other Organizations

- Works with **IMF**, **World Bank**, and **UNCTAD** for coherence in global economic policy-making.

6. WTO Agreements

Major Agreements Administered by WTO:

- **GATT (General Agreement on Tariffs and Trade)**
- **GATS (General Agreement on Trade in Services)**
- **TRIPS (Trade-Related Aspects of Intellectual Property Rights)**
- **Agreement on Agriculture**
- **Agreement on Trade Facilitation**
- **Agreement on Subsidies and Countervailing Measures**

Ministerial Conferences

What They Are:

- **Highest decision-making body** of the WTO.
- Held **every two years**.
- Brings together trade ministers of all members to take decisions on major trade issues.

Major Ministerial Conferences:

No.	Year	Venue	Key Outcomes
1st	1996	Singapore	Introduced Singapore Issues (investment, competition policy).
4th	2001	Doha	Launched Doha Development Round for developing countries.
6th	2005	Hong Kong	Commitment to eliminate agricultural export subsidies.
9th	2013	Bali	Bali Package – Trade facilitation agreement signed.
10th	2015	Nairobi	Ended export subsidies in agriculture.

No.	Year	Venue	Key Outcomes
11th	2017	Buenos Aires	No major outcome; disagreements over e-commerce, investment.
12th	2022	Geneva	Response to COVID-19, food security, fisheries subsidies.
13th	2024	Abu Dhabi	WTO reform, focus on dispute settlement, subsidies, digital trade.

Challenges Facing WTO

- **Stalemate in Negotiations:** Doha Round stalled due to conflicting interests of developed and developing nations.
- **Rise of Protectionism:** Recent trade tensions and tariffs.
- **Need for Reform:** Members call for reform of dispute settlement, transparency, and negotiation processes.
- **Digital Economy:** WTO needs to address challenges related to e-commerce, digital trade, data flow, and cybersecurity.

IMF (International Monetary Fund)

- The **IMF** is a global financial institution that works to ensure **monetary stability**, **economic growth**, and **financial cooperation** among countries.
- It was created in the context of the global financial instability that followed the **Great Depression** and **World War II**.

Origin and Establishment

- **Founded:** 1944 at the **Bretton Woods Conference**, New Hampshire, USA.
- **Began operations:** 1945; first 29 member countries signed the Articles of Agreement.
- **Current Members:** 190+ countries (as of 2024).
- **Headquarters:** Washington D.C., USA.

Objectives of IMF

1. **Promote International Monetary Cooperation**
2. **Facilitate Expansion and Balanced Growth of International Trade**
3. **Promote Exchange Rate Stability**
4. **Assist in the Establishment of a Multilateral System of Payments**
5. **Provide Financial Assistance to Member Countries**
6. **Shorten Duration and Lessen Degree of Disequilibrium in Balance of Payments**

Roles and Functions of the IMF

1. Surveillance

- Monitors the global economy and individual economies.
- Publishes **World Economic Outlook (WEO)** and **Global Financial Stability Report**.
- Conducts **Article IV Consultations** with each member country annually to assess their economic health.

2. Financial Assistance

- Provides loans to member countries facing **balance of payments problems**.
- **Types of Lending:**
 - **Stand-By Arrangements (SBA)** – Short-term support.
 - **Extended Fund Facility (EFF)** – For structural reforms.
 - **Rapid Financing Instrument (RFI)** – For urgent needs like disasters or pandemics.
 - **Poverty Reduction and Growth Trust (PRGT)** – Concessional loans for low-income countries.

3. Capacity Development

- Offers technical assistance and training in:
 - Public finance management
 - Central banking and monetary policy
 - Statistics and fiscal transparency

4. Exchange Rate Stability

- Encourages countries to adopt sound exchange rate policies.
- Avoids competitive devaluation and promotes confidence in the international monetary system.

6. Special Drawing Rights (SDRs)

- An **international reserve asset** created by the IMF in 1969.
- Value is based on a basket of five major currencies: USD, EUR, CNY, JPY, GBP.
- SDRs can be exchanged among governments for hard currency during crises.
- Recent allocations were made in response to the COVID-19 pandemic (2021).

Criticisms of the IMF

1. **Policy Conditionality**
2. **Western Dominance**
3. **One-Size-Fits-All Policies**

4. Social Impacts

5. Limited Support for Developing Countries

IMF vs. World Bank – Key Differences

Feature	IMF	World Bank
Main Function	Monetary cooperation and stability	Development and poverty reduction
Focus Area	Macroeconomic issues	Infrastructure, education, health
Lending Type	Short/medium-term balance of payments support	Long-term development loans
Currency Role	Stabilizes exchange rates and reserves	Provides project-based funding