

World Trade Organization



WORLD TRADE ORGANIZATION

The World Trade Organization (WTO) is the only body making global trade rules with binding effects on its Members. It is not only an institution, but also a set of agreements. The WTO regime is known as the rules-based multilateral trading system. The history of the Organization dates back to 1947, when the General Agreement on Tariffs and Trade (GATT), was set up to reduce tariffs, remove trade barriers and facilitate trade in goods.

Over the years, GATT evolved through eight rounds of multilateral trade negotiations, the last and most extensive being the Uruguay Round (1986-1994). The WTO came into being in Marrakesh on 1 January 1995, following the conclusion of the Uruguay Round. GATT then ceased to exist, and its legal texts were incorporated into the WTO as GATT 1994.

Features of WTO

- i. It is an international organization to promote multilateral trade.
- ii. It has replaced GATT.
- iii. It promotes free trade by removing tariff and non-tariff barriers in international trade.
- iv. It has fixed set of rules and regulations and it has a legal status. Its rules and regulations are mutually designed and agreed upon by member nations.
- v. Agreements agreed by member-countries are binding on all members of WTO and if any member does not follow such agreements, then its complaint can be lodged with the Dispute Settlement Body of WTO.

- vi. It includes trade in goods, trade in services, protection of intellectual property rights, foreign investment, etc.
- vii. Unlike International Monetary Fund (IMF) and the World Bank, WTO is not an agent of United Nations.
- viii. Unlike IMF and World Bank, there is no weighted voting (on the basis of capital). Rather all the WTO members have equal voting rights (One Country, One Vote).
- ix. WTO has a large Secretariat and huge organizational set-up.

Objectives of WTO

- i. The primary aim of WTO is to implement the new world trade agreements.
- ii. To promote multilateral trade, i.e., trade among many nations.
- iii. To promote free trade by abolishing tariff and non-tariff barriers.
- iv. To promote world trade in a manner that benefits every member country.
- v. To ensure that developing countries get a better share in the advantages resulting from the expansion of international trade corresponding to their developmental needs.
- vi. To remove all hurdles in the way of open world trading system and use world trade as an effective instrument to boost economic growth.
- vii. To enhance competitiveness among all trading partners so as to benefit consumers.
- viii. To increase the level of production and productivity with a view to increase the level of employment in the world.
- ix. To expand and utilize world resources in the most optimum manner.
- x. To improve the standard of living of the global population and speed up economic development of the member nations.
- xi. To take special steps for the development of poorest nations.

Principals of the WTO

In its broad perspective, the WTO was to strive at creating a liberal and open trading environment by which enterprises could trade under conditions of fair and undistorted competition. Towards the achievement of this, the four principles that were laid down to guide the trading rules of its members are as follows:

- a) **Most Favored Nation (MFN) Treatment:** The principle of MFN treatment laid that tariffs and regulations must be applied to imports or exports without discrimination among members. In other words, no member country was to be accorded a treatment of 'a favored nation';
- b) **National Treatment:** It prevents discrimination between imported products and equivalent domestically produced goods, especially in levying internal taxes and domestic regulations;
- c) **Protection through Tariffs:** While advocating liberal trade, the WTO recognizes that some members may need to protect their domestic production against foreign competitors. The underlying principle was, however, that such protections through tariffs must be kept at low levels in what was called as 'bound tariff framework';
- d) **Bound Tariffs:** The principle of 'bound tariff' advises the member countries to reduce and gradually eliminate protection to domestic production. The reduction and ultimate phase-outs of tariffs was meant to provide the cushion time required for gaining competitive strength and the tariffs were to be phased out firmly in a committed time frame.

Functions of the WTO

The WTO consist a multi-faced normative framework: comprising institutional substantive and implementation aspects. The major functions of the WTO are as follows:

1. Laying-down a substantive code of conduct aiming at reducing trade barriers including tariffs and eliminating discrimination in international trade relations.
2. Implementing WTO agreements and administering the international trade.
3. Cooperating with IMF and World Bank and its associates for establishing coordination in Global Trade Policy Making.

4. Settling trade related disputes among member nations with the help of its Dispute Settlement Body (DSB).
5. Reviewing trade related economic policies of member countries with the help of its Trade Policy Review Body (TPRB).
6. Providing technical assistance and guidance related to management of foreign trade and fiscal policy to its member nations.
7. Acting as forum for trade liberalization.

The WTO is, thus, a forum where countries continuously negotiate the exchange of trade concessions and trade restrictions all over the world. The WTO has a substantial agenda for further negotiations in many areas, notably certain services sectors.

Organization Structure

The WTO has nearly 153 members accounting for over 97% of world trade. Around 30 others are negotiating membership. Decisions are made by the entire membership. This is typically by consensus.

A majority vote is also possible but it has never been used in the WTO and was extremely rare under the WTO's predecessor, GATT. The WTO's agreements have been ratified in all members' parliaments.

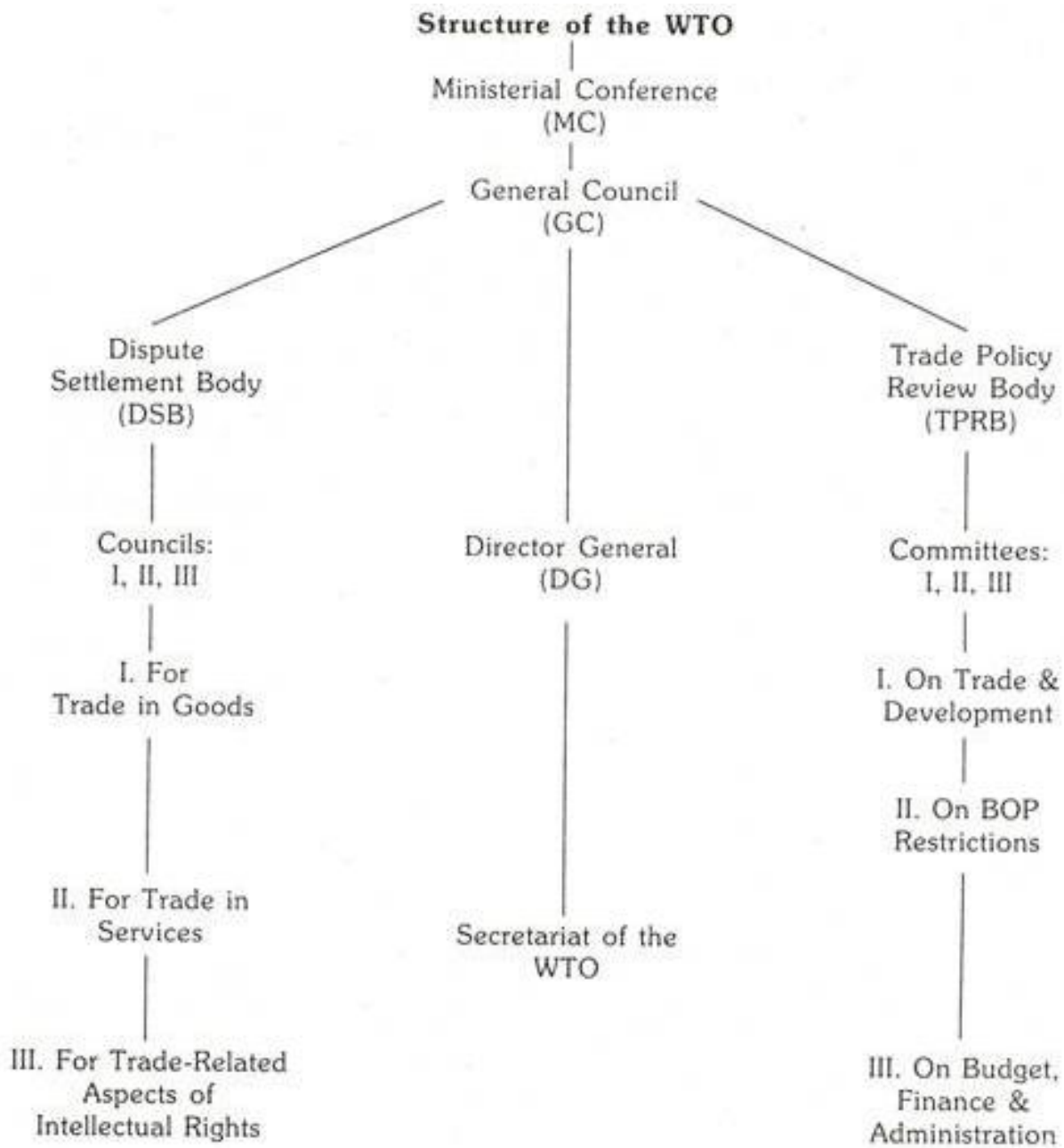
The Ministerial Conference (MC) is at the top of the structural organization of the WTO. It is the supreme governing body which takes ultimate decisions on all matters. It is constituted by representatives of (usually, Ministers of Trade) all the member countries.

The General Council (GC) is composed of the representatives of all the members. It is the real engine of the WTO which acts on behalf of the MC. It also acts as the Dispute Settlement Body as well as the Trade Policy Review Body.

There are three councils, viz.: the Council for Trade in Services and the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS) operating under the GC. These councils with their subsidiary bodies carry out their specific responsibilities

Further, there are three committees, viz., the Committee on Trade and Development (CTD), the Committee on Balance of Payments Restrictions (CBOPR), and the Committee on Budget,

Finance and Administration (CBFA) which execute the functions assigned to them by the WTO Agreement and the GC.



The administration of the WTO is conducted by the Secretariat which is headed by the Director General (DG) appointed by the MC for the tenure of four years. He is assisted by the four Deputy Directors from different member countries. The annual budget estimates and financial statement of the WTO are presented by the DG to the CBFA for review and recommendations for the final approval by the GC.