



WORLD TRADE ORGANISATION

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Overview

- International Trade before GATT
- Why was GATT signed?
- Trade during GATT era
- Establishment of WTO
- Organisational structure of WTO

Trade before GATT

GATT is the first multilateral trade treaty signed in 1947

But before 1947, there were some trade agreements particularly among European countries.

Why were these treaties signed?

The earliest trade treaty can be traced to Egypt- Babylonia in 2500 BC

Modern trade treaties- mid 19th Century

Trade before GATT

- There were many barriers for international trade
 - Countries were protective of its natural resources- so export ban
 - Countries had regulations specifying manufacturing techniques
 - Internal tools were prevalent
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- When nation-building exercises were undertaken, internal tolls were abolished
 - This granted an economic boon
 - So countries tried to replicate the same at the international level
 - So many European countries started embracing the ideas of free trade

Trade before GATT

- Biggest liberalization came from Britain with its repeal of corn laws.
- Corn laws- high tariff on imported agricultural products
- Even merchants in Britain wanted repeal of corn laws as famine was setting in, drastic increase of food prices
- So Britain repealed corn laws
- When Britain reduced the tariff on agricultural products, it extended this reduction to other goods
- Many goods entered Britain market from other countries especially France
- So Britain wanted French market for its products
- Lord Cobden engaged in negotiations with France and this resulted in Cobden-Chevalier Treaty in 1860



Signing of treaties among European Countries

Cobden-Chevalier Treaty had a ripple effect and France started signing treaties with other European countries starting with Germany in 1862.

So in 1860s, many treaties were signed and other trade facilitation measures were taken.

Like agreements on transportation and communication

Rhine was declared as a free passage for ships of all nations

State-run international chamber of commerce were established

Exhibitions were conducted

Recission in 1870s

- There was a brief recession in 1870s in Europe
- Germany was the first country to adopt protectionist policies
- Germany increased tariff on imported products
- When Germany backed out of free trade policies, France and other countries also adopted protectionist measures
- Around this time, Germany started employing trade treaties as a tool for foreign policy
- Germany entered into a trade treaty with France provided France does not trade with Austria and to isolate Denmark
- So around this time, international trade got entangled with geopolitics in Europe

Trade before GATT and the US

- In 19th C, high tariff marked the US market
- Because of Republican Party being in power and also for protecting infant industries
- When the WW I happened, massive disruption to international trade
- In 1930, US adopted Smoot-Hawley Act which imposed high tariff on imported products entering the US market
- To retaliate Smoot Hawley Act, European countries imposed high tariff on US products
- But President Roosevelt got elected and his Secretary of State Cordell Hull were in favour of trade liberalisation
- Reciprocal Trade Agreements Act was passed which empowered the President to sign trade treaties with other countries
- US concluded 31 trade agreements with other countries on bilateral basis including France

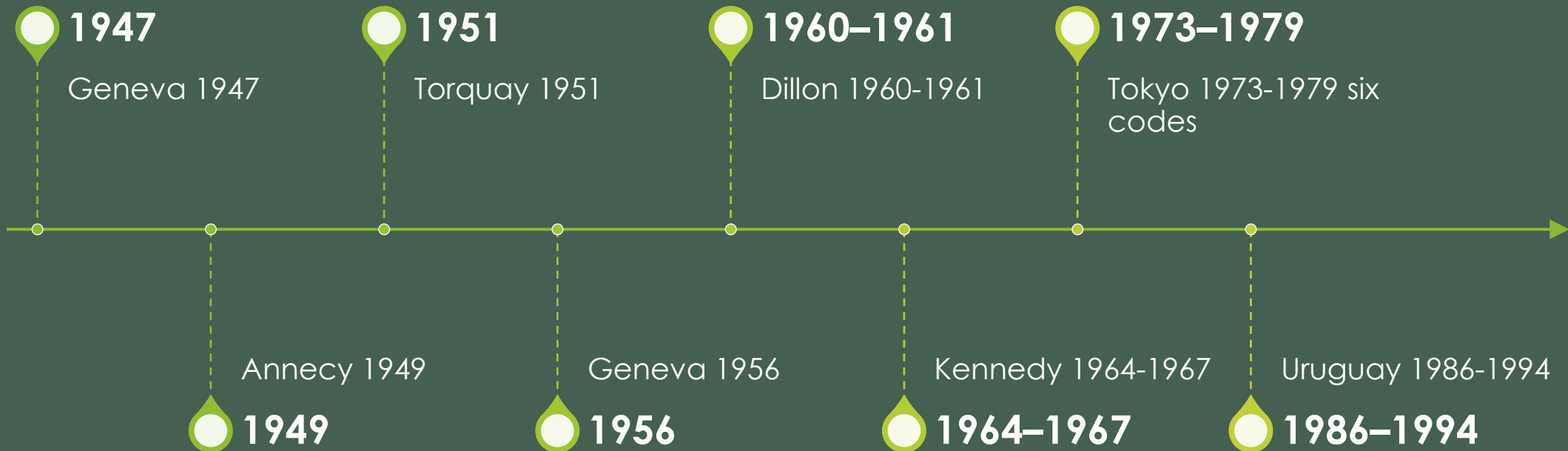
- Right before WWII, international trade happened- among European countries and between the US and European countries
- But WWII disrupted international trade
- So in 1944, before the conclusion of WW II, when the US and its allies realized that they were going to win the war, a Conference was held at Bretton Woods in order to reconstruct the global economy
- This Bretton Woods Conference envisaged the establishment of IMF, IBRD (now World Bank) and ITO
- Many conferences were held to prepare the charter for the establishment of ITO- New York in 1947, Geneva in 1947 and Havana in 1948
- In the Geneva meeting since most of the trade rules were finalized, countries wanted to adopt those rules provisionally.

Signing of GATT

Signing of GATT

- In Geneva conference in 1947, a protocol for the provisional application of General Agreement on Tariffs and Trade was adopted
- After the Havana Conference, US Congress did not agree for the establishment of International Trade Organisation (ITO)
- So GATT Agreement regulated international trade until the establishment of WTO
- Interim Commission for ITO became GATT Secretariat
- 23 original contracting parties. New contracting parties were added to GATT
- It acted like an international organization but in reality, it was just a multilateral treaty
- Since it contained only basic rules for regulating international trade, many rounds of negotiations were conducted

Negotiation Rounds



Uruguay Round of Negotiation

- This negotiation round started with three objectives:

Enhance
Surveillance

Improve effectiveness and
decision making at GATT

Greater coherence in global
economic policy making

- What was not the objective was- Establishing WTO
- In September 1986, Uruguay Round negotiations started
- In February 1990, Italian Trade Minister Renato Ruggiero suggests for the establishment of an international organization
- April 1990- Canada suggested for a World Trade Organisation
- July 1990- EC proposed for Multilateral Trade Organisation (MTO)
- There were some resistance to this idea but by December 1990, Brussels Draft Final Act was prepared for MTO

Uruguay Round

- April 1991- negotiations for MTO picked up
- November 1991- EC, Canada and Mexico submitted a joint proposal
- December 1991- Draft Agreement- Agreement Establishing the Multilateral Trade Organisation was prepared by Director General of GATT, Dunkel (this Draft is popularly known as Dunkel Draft)
- US was opposing MTO
- In 1993- President Clinton came to power
- So US stated that if the name is changed from MTO to WTO (which was originally proposed by Canada), it will support the same.
- Finally in April 1994, Agreement Establishing the World Trade Organisation was signed at Marrakesh (this agreement is popularly known as Marrakesh Agreement) and came into force on 1 January 1995



WORLD TRADE ORGANISATION

Objectives

- GATT objectives are retained
 - Reduction of tariff barriers and other barriers to trade
 - Elimination of discriminatory treatment
- Broad objectives
 - Not just economic objectives
 - To increase standard of living
 - To attain full employment
 - Optimal use of resources
 - Achieving sustainable development
 - Protect and preserve the environment
 - Steady volume of real income and effective demand
 - Considering the different levels of economic development of countries
 - Positive efforts for developing countries and LDCs
 - Integration of developing countries and LDCs in world trading system

Functions- Art III of MA



Implementation
of the MA



Negotiation of
New Agreement



Dispute
Settlement
Mechanism

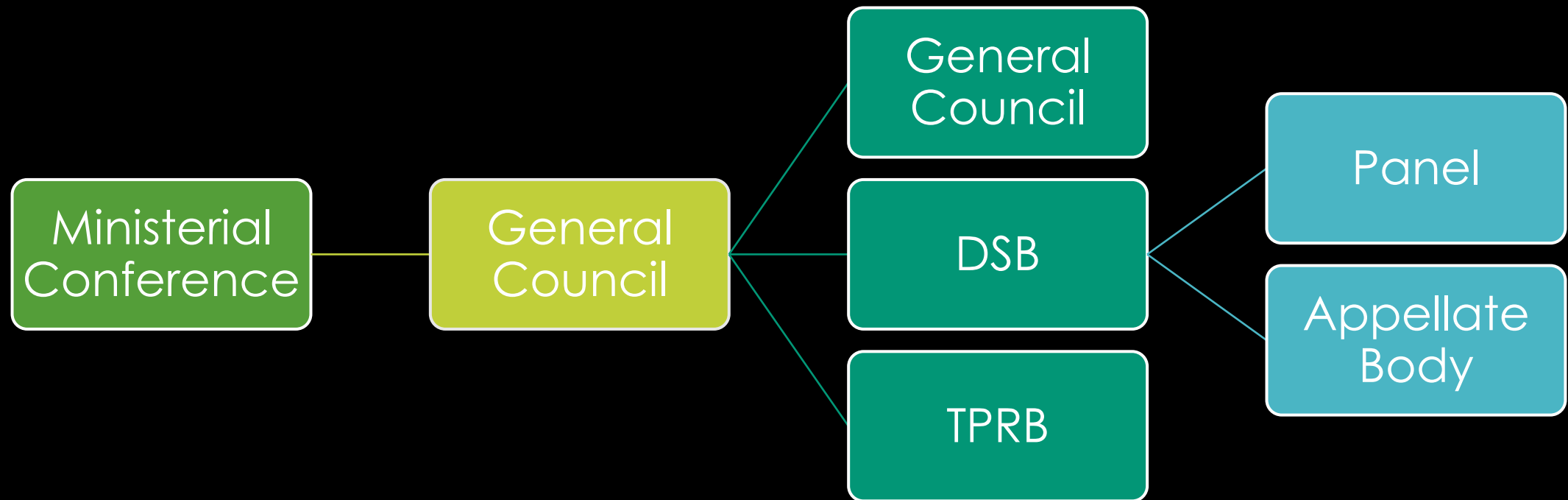


Trade Policy
Review
Mechanism



Cooperation with
other
organisations

Organisational structure of WTO



Ministerial Conference



Every two years



Authoritative interpretation



Waivers



Amendments



Accession



Appointing DG and staffs

General Council

All powers of MC

Adopting budget

Financial regulations

Arrangements for effective cooperation
with other international organisations

Private meeting but chairperson issues a
press release

As DSB and TPRB- their own chairperson

Annexures to MA



Annex 1A Multilateral Agreements on Trade in Goods



Annex 1B GATS



Annex 1C TRIPS



Annex 2 – Dispute Settlement Understanding



Annex 3- Trade Policy Review Mechanism



Annex 4- Plurilateral Trade Agreements

General Council

Council
for Trade
in Goods

Council
for Trade
in Services

Council
for TRIPS

Working
Party on
Accession

Committees

Committees
on SPS
Measures,
Market
Access, SCM
Measures

Committees
on Trade in
Financial
Services,
Specific
Commitments

Trade and
Environment

Trade and
Development

Committee on
BoP

Committee on
Budget,
Finance and
Administration

Secretariat- Art VI

Headed by DG

MC will appoint DG.

MC will adopt regulations to spell out the powers, duties, conditions of service and term of office of the DG.

Rest of the staff of the Secretariat appointed by DG

DG and staff- international in character- no instructions from any government or any other external authority

Refrain from any action adverse to their position as international officials

WTO Members should respect international character and not influence them

Budget and Contributions- Art VII

DG will present the Budget to Committee on Budget, Finance and Administration every year.

This Committee after review will send it to GC with its recommendations

Budget will be approved by GC through two-thirds majority comprising more than half of the Members of the WTO.

Financial regulations will be prepared by the Committee on scale of contributions and the measures for arrears and will be proposed to GC.

Each Member should promptly pay its share.

Decision Making – Article IX



ORDINARILY
THROUGH
CONSENSUS



IF NO CONSENSUS-
VOTING



EVERY MEMBER-
ONE VOTE



CUSTOM TERRITORY-
VOTES EQUAL TO
THE NUMBER OF
MEMBER STATES



DECISIONS IN MC
AND GC- MAJORITY
OF VOTES UNLESS
OTHERWISE
SPECIFIED



AUTHORITATIVE
INTERPRETATION-
3/4TH MAJORITY



WAIVER- 3/4TH



PLURILATERAL
AGREEMENT- AS PER
THAT AGREEMENT

Membership

Currently 164
Members

Original Members in
1994 and Accession

WTO represents 92% of
Global population
and 95% of global
trade

Countries and Custom
Unions (like EC, Hong
Kong, Macou China,
Chinese Taipei)

3/4th Members are
developing countries

Self determination of
economic status-
except UN list for LDCs

Observer status
before a country
becomes a Member

Some international
organisations as
observes like UNCTAD,
FAO, WIPO, IMF, World
Bank etc.

Misc

- Article V- Relations with Other Organizations- GC should make arrangements for effective cooperation with other organisations like intergovernmental organisations and non-governmental organizations.
- Article XIII- Non-Application of Multilateral Trade Agreements between Particular Members
- Article XIV- Acceptance, Entry into Force and Deposit
- Article XV- Withdrawal- 6 months notice to the DG of WTO
- Article XVI- Miscellaneous Provisions- Guided by decisions, procedures and customary practices of GATT; GATT Secretariat will become WTO Secretariat; GATT DG will continue until MC appoints a new one; Conflict of MA with other WTO agreements, MA prevails; No reservation on MA; Member's laws, regulations and administrative procedures should be in consonance with WTO obligations; Registration of MA under Article 102 of the Charter of the UN



THANK YOU