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 19^{th} 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

- 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 Britian 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- So Britain repealed corn laws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-Chevaliar Treaty in 1860

Signing of treaties among European Countries

Cobden-Chevaliar 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 recission 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 19^{th} 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 liberlisation
- 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

Signing of GATT

- 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

- 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

1947
Geneva 1947

1949
Annecy 1949

1951
Torquay 1951

1956
Geneva 1956

1960–1961
Dillon 1960-1961

1964–1967
Kennedy 1964-1967

1973–1979
Tokyo 1973-1979 six codes

1986–1994
Uruguay 1986-1994

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

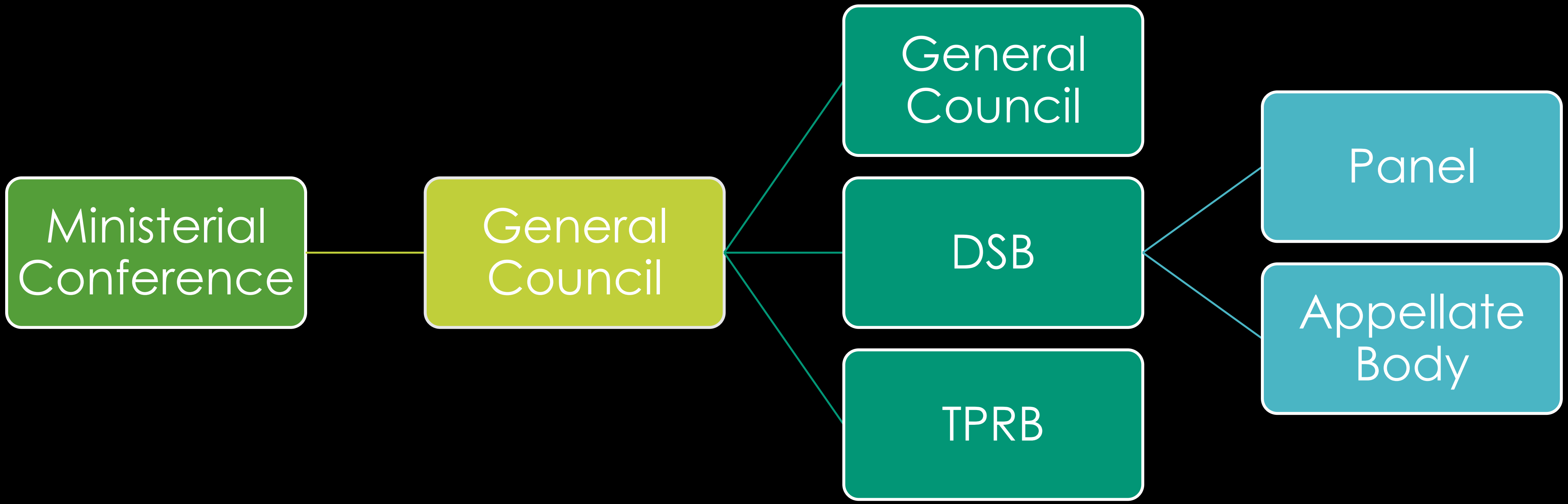
Negotiation of New Agreement

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

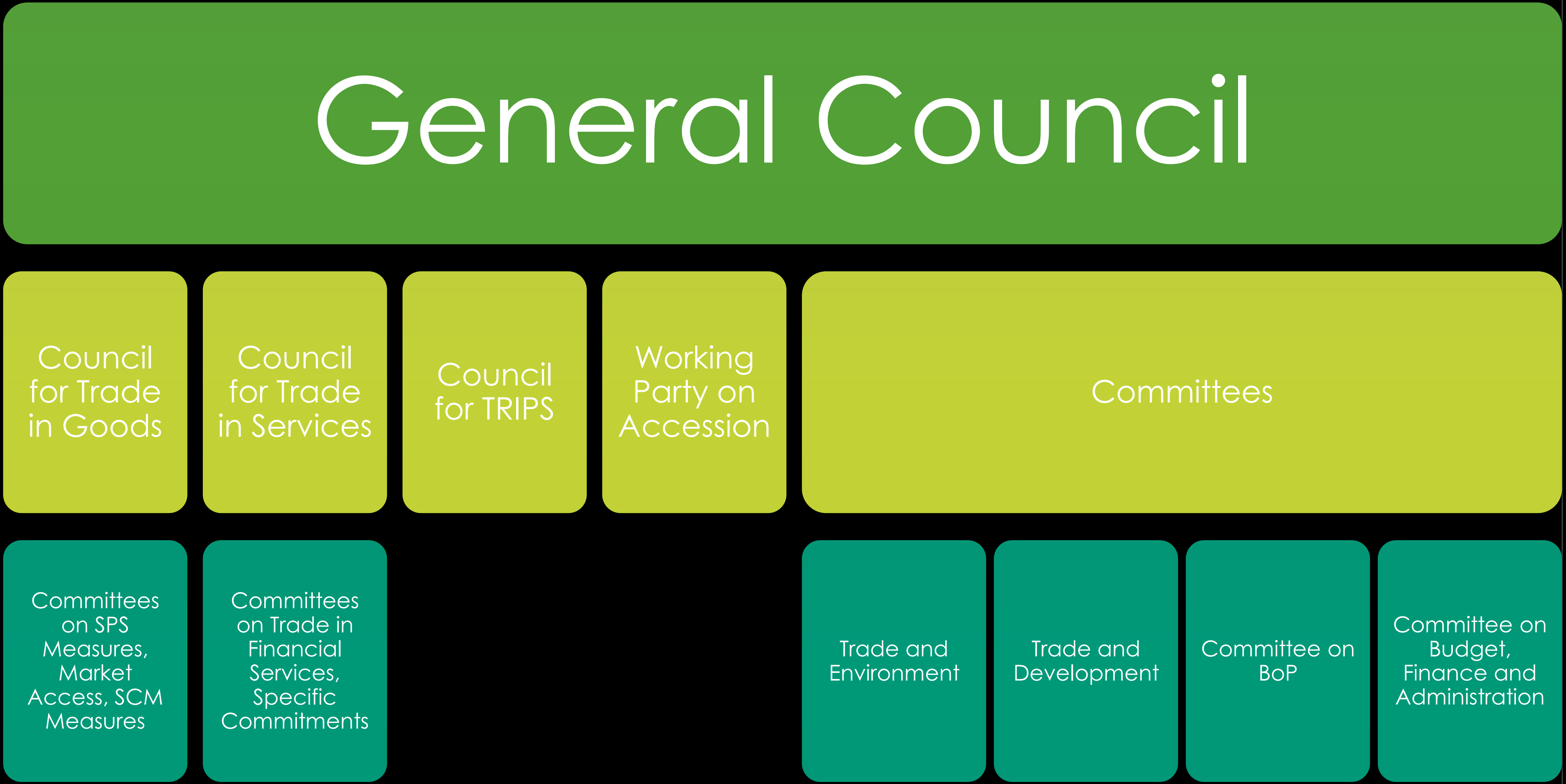
Arrangements for effective cooperation with other international organisations

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 Agrements


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