



WORLD TRADE ORGANIZATION (W.T.O.)

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Introduction:

- The WTO is the successor to GATT that governed the international trade & transactions till Jan. 1, 1995.
- It is a international trade organization.
- The WTO came into existence on Jan. 1, 1995.
- It is a legally established body **which manages to put into effect the trade agreements** negotiated by its member states on diverse areas.
- The underlying principle of its operation is **based on open markets, non-discrimination and global competition** in international trade
- This is done in order to promote the national welfare of all countries.

Origin of WTO:

- It is a successor to GATT.
- The GATT which is a multilateral treaty for trade liberalization and a platform for negotiation of tariff and trade related issues and problems.
- GATT came into existence on 1 Jan. 1948 with the initial membership of 23 countries including India.
- There were 8 rounds of negotiations held at different places at different times so as to liberalize world trade.

Origin cond...

- Within the GATT there was a clear cut inequality of power as most of the decisions were influenced by the 4 powerful nations namely,- US, EU, Japan & Canada as most of the developing nations remained passive.
- Naturally the 8th round of the talks in Uruguay on 15th April, 1994 (in which trade ministers of 123 countries participated) signed the Act of the GATT and brought WTO into being on 1, Jan. 1995.
- The developing nations found it difficult to refuse to join as they had the fear of being left out by the stronger nations.
- The WTO, IMF, World Bank operated in a close network with ideological and institutional affinity.

Objectives of the WTO:

- It seeks to establish an equitable, rule based multilateral trade system based on 5 principles/objectives which are as follows-
 1. Non-discrimination
 2. Reciprocity
 3. Enforceable commitments
 4. Transparency &
 5. Safety Valves.

Objectives contd...

- The basic **objective of WTO** is **non-discrimination** which has two components- Most favoured nation (MFN) & National Treatment.
- It implies that **a country should not make any discrimination** between its own product and products produced by foreign companies once it satisfies broader measures.
- **Unlike GATT, WTO rules are enforceable.**

Objectives contd...

- According to the rules, (Art. 1 & 3 of MFN & NT) there is a market access commitments.
- The affected country could take the case **to the dispute settlement body of the WTO** which will investigate and decide through its panels.
- All regulations, information and policies relating to trade by member countries are published **which ensures transparency.**
- WTO undertake **to apply fair trade rules** covering commodities, services, and intellectual property among its members.

Objectives....

- It provides for the lowering of tariffs on industrial goods & tropical products; the abolition of import duties on a variety of items; the progressive abolition of quotas on garments & textiles; the gradual reduction of trade distorting subsidies and import barriers; and agreement on intellectual property and trade in services.

Organization:

- **A two yearly ministerial meeting** in is the ultimate policy making body.
- **The 132 member General council** has some 30 subordinated councils & committees.
- **The Dispute settlement body** was set up to deal with disputes between countries.
- Appeals against its verdicts are heard by a **7 member Appellate body** whose decisions is virtually binding.

Organization...

- Refusal to comply with at this stage results in the application of trade sanctions.
- Before cases are heard by dispute panels, there is a 60 day consultation period.
- The previous GATT secretariat now serves the WTO which has no resources of its own other than its operating budget.

Organization...

- The WTO provides common institutional framework for the conduct of trade relations among its members.
- Art. II has 3 parts – Annexure – A, Annexure- B & Annexure- C.
- Annexure- A deals with multilateral **agreements on trade in goods.**
- Annexure – B contains **General agreement on Trade in Service.**
- Annexure- C contains the agreement on **Trade related Intellectual Property Rights (TRIPS).**
- The above agreements would be renegotiated and new agreements could be added to WTO.

Functions of WTO:

- WTO deals with a large no. of areas **pertaining to trade liberalization.**
- Majority of these are procedural but there are substantial areas which affect most member states in WTO.
- There are many agreements relating to o goods, services and TRIPS.