

# World Trade Organization (WTO)

## [UPSC Notes]

### What is the World Trade Organization?

The World Trade Organisation is a Global organization that deals directly with making rules and regulations among the Nations with respect to trading.

- It was constituted on the 1st of January 1995. India also joined the WTO in 1995 and is a founding member of the WTO.
- WTO is headquartered in Geneva, Switzerland. The WTO consists of 164 countries, where 160 are the UN countries, along with the EU, Hong Kong, Macau, and Taiwan.
- Apart from this, WTO also acts as a forum that negotiates the trading agreement and settles down the trading disputes among the countries by providing support and full feeling of the needs of developing countries.
- The main and prime focus of the World Trade Organisation is to provide benefits to all the traders in the world.
- The World Trade Organisation has a body called the Ministerial Conference, which is the highest decision-making body.
- This conference consists of all the member states and holds a meeting twice a year.
- The Ministerial Conference is the WTO's top decision-making body and usually meets every two years. All members of the WTO are involved in the Ministerial Conference and they can take decisions on all matters covered under any multilateral trade agreements.

### History of World Trade Organization

The World Trade Organisation (WTO) was established on 1st January 1995, but its working dates back to about 50 years ago. Before the WTO, GATT was in existence in 1948, which was replaced by it.

- According to the General Agreement, a body named GATT (General Agreement on Tariff and Trade) was formed, which underwent evolution over the years of rounds of negotiations.
- This GATT witnessed its last conference in 1994 which started in 1986. This last round was called the Uruguay Round.
- A year later, the WTO was formed in 1995. Where, the GATT, only dealt with trading, the WTO focused on goods trading along with services and intellectual properties.

### Why WTO replaced GATT

The GATT failed to achieve its goals the World Trade Organisation replacing it was not a major game but an important demand during the last of the 1990 century.

- In addition to legal problems, a number of factors contributed to the failure of GATT that including the legal problems specifically in the agriculture and textile areas.
- For example in the GATT framework, the United States could not convince China and Japan to open up their markets to our goods and services.
- Furthermore, the GATT excluded the services and intellectual property rights and there was no International mechanism to resolve such trade-related disputes.
- Therefore, GATT started to face very serious problems and eventually converted to the World Trade Organisation. Hence it can also be said that the WTO is a new form of the existing GATT that exhausted its purpose and was not capable enough to intermediate the Global economic consequences and achieve the industrial interest of countries

## Governance Structure of WTO

The Governance of WTO is composed of many higher delegations. Authorities include the representatives of all the WTO country members who meet at least after every 2 years and take major decisions related to the multilateral trading system and make agreements.

The governance structure of WTO is-

1. **The Ministerial Council**
2. **General Council**
3. **Goods Council**
4. **Intellectual Property Council**
5. **Services Council**

- The work between the **ministerial conferences** is handled by three bodies namely the General Council, Disputes Settlement Body, and Trade Policy Review Body. The General Council is headed by David Walker of New Zealand.
- The **Council for Trade in Goods** oversees about 11 committees and each one of them has separate responsibilities. All the committees consist of the existing WTO members only. This is also led by the chairman.
- The **Council on Trade-Related Aspects of Intellectual Property Rights** promotes trade aspects of the same. The news and official records regarding the TRIPS Council and WTO collaboration with other international organizations on intellectual property at the World Trade Organisation are provided by him.
- The **Council for Trade Services** is directed by the General Council which Oversees the operations of general agreements on trade in services means GATS.

## Ministerial Conference of WTO

WTO has held its 12th Ministerial Conference at its Headquarters in Geneva, Switzerland. It was held between 12-17 June 2022.

- This Conference was attended by the ministers present from all over the world(member countries) and discussed the functioning of this multilateral trading system and taking actions regarding the future work of the World Trade Organisation.
- This conference was chaired by Timur Suleimenov, who is the Deputy Chief of staff of the Kazakhstan President. Earlier this conference was supposed to be held in 2020 but got postponed due to the covid-19 but it concluded successfully on 17 June 2022.

## Objectives of the World Trade Organization

The WTO works on the following objectives:

- To limit the trading barriers by negotiating. This results in a reduction in the prices of goods and services, which in turn results in a reduction in the cost of living.
- Stimulating economic growth and employment opportunities
- Limit the cost of international business activities.
- To promote the concept of good governance.
- To reduce the trade disputes among the countries.
- Collaborating with the leading financial institutions to boost economic management.

## Agreements of World Trade Organization

The major agreements under the WTO are:

- The goods, services, and intellectual property will be under the control of the WTO.
- They will resolve the issues related to the trading.
- They advise and compel countries to enact their own trade regulations and notify the WTO.
- It has agreed to over 60 agreements that are primarily legal texts.
- A country has to sign and ratify the accords of the WTO before joining it.

## Functions of World Trade Organization

WTO-related functions include the following.

- It regulates the laws related to trade agreements.
- Organize the conferences for trade negotiations.
- Sort out and resolve the issues related to trading.

- examines trade-related policies
- Consult and cooperate with economic organizations.

## Principles of WTO

WTO has 5 principles that are the foundation of a multilateral trading system. Following are the principles of WTO-

### **Trade Without Discrimination**

As per the WTO agreement no countries can discriminate against each other or grant some special favors to any country. The WTO keeps all the members on the same page.

Also, the product imported and locally made goods should be given equal treatment at least even when those goods enter the foreign trade market.

### **Free trade through negotiations**

There can be many barriers to free trade like the duties or tariffs, Bans, or Quotas which may affect effective trading. WTO also keeps on discussing such issues over time to reduce the fitness in business and marketing and make it relaxed and free trade.

### **Predictability through binding and transparency**

Whenever any country opens to the market for services or goods gets bound under the WTO. The terrace binding for goods is mostly the ceilings on the rates of custom tariffs. At times some countries track imports below the bound rate and this problem is most common in the developing countries.

### **Promoting fair competition**

In the fields of agriculture, intellectual properties, and services provided there are many agreements of WTO which provide fair competition. As a result of it the government procurement agreement competition rule applied to more than thousands of governments in all the countries.

### **Encouraging development and economic reform**

Development is facilitated by the WTO system. In contrast to this, the developing countries name time and flexibility as they take a slow time to implement the agreement made by the WTO systems. In addition to these agreements, these agreements inherit the GATTs former provisions that provide special assistance and trade concessions.

## Trade Agreements of WTO

WTO has a total of 60 agreements and decisions of 550 pages. These agreements are the result of Uruguay round negotiations which were signed at the Marrakesh Ministerial meeting in 1994.

- After that many legal texts related to Information Technology agreement and accession protocols have been included in the WTO legal texts.
- Some new negotiations that included negotiation on agriculture services and Intellectual Property Rights topics were declared in the Doha Ministerial declaration after November 2001.

## Goals of WTO

The primary goal of WTO is to give an open and free trade space to the international traders where they can do trading without any obstruction.

- It makes and implements the rules related to international trading.
- It creates a venue for liberalization negotiation and trade monitoring.
- It makes decisions that are more transparent and fair with all the member countries.
- It also works with other important economical Institutions and works actively for Global economic management.
- It opens the ground and provides a platform to the countries who can take advantage of WTO for the global Trading system.

## WTO and India

India has been a member of the former GATT since 1948 and an active member of the World Trade Organisation since 1995. Being a developing nation India has contributed much in the trading field to WTO especially raising its own concerns as well as its fellow developing nations.

At the 2001 conference in Doha, Qatar India has been seen as the most outspoken advocate among all the countries. India has signed many agreements with the WTO whose implications can be seen in the Indian economy. These agreements are-

- **Reducing tariff and non-tariff barriers-** In this agreement the total reduction of tariffs on the manufactured and finished goods.
- **TRIMS-** It stands for Trade-Related Investments Measures. This measure restricts the host country to be Biased toward the internal trade and unbiased toward the foreign trade in their countries.
- **TRIPS-** It stands for Trade-Related Intellectual Property Rights. It aims to recognize and protect the legal rights of the original creator of intangibles.
- **AOA-** It means Agreement on Agriculture, which deals with the reduction of subsidies and giving market access to agricultural products.

## India and WTO- latest Updatons

Following are the latest updations in the meeting between WTO and India:

- Banning of Chinese apps
- Peace Clause-related issues
- ICT tariffs case
- Subsidies on fisheries.

## Significance of World Trade Organization

The existence of the WTO is of great significance to all global trading systems.

- It significantly enforces the rules and regulations for trading.
- Because of the WTO, the import and export business has seen a great level of transparency and smoothness.
- This allows the consumer to have a vast variety of topics.

