

World Trade Organization

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Introduction

We typically use goods and services imported from various countries. How these products and services are made available to us? Is it simple to transport from one country to another? Who oversees such activities and international relations? All of these things are possible because of international trade agreements between different countries, which are governed by a vast set of rules and regulations that are further governed by international organisations. Countries became closer through various economic deals and agreements, and trade barriers were reduced as a result of World Trade Organisation (WTO) efforts through negotiations and various other methods.

International Trade and WTO

The sale and purchase of goods and services across international borders is referred to as International Trade. These transactions are conducted through a contract between two or more parties that is governed by the World Trade Organisation (WTO).

The WTO is the solitary global international organisation that deals with trade rules between nations. Its primary function is to keep trade flowing as smoothly, predictably, and freely as possible. It is an intergovernmental organisation that regulates and facilitates inter-national trade. It is world's largest international economic organisation, with 164 members including European countries) and 25 observer governments.

India is WTO member since 1 January 1995 and is the founding member of WTO. WTO has improved India's export competitiveness. The headquarter of WTO is located in Centre William Rappard, Geneva, Switzerland. Currently the Director-general of the WTO is Ngozi Okonjo Iweala.

The WTO's work impacts a wide range of sectors and industries, from agriculture and manufacturing to services and intellectual property. WTO also acts as a forum that negotiate the trading agreement and settles down, trading disputes among countries by providing support. The main purpose of WTO is to 'open trade for all' so that every nation can benefit from it.

History of WTO

The World Trade Organisation (WTO) is rooted in January 1, 1995 as a result of the Uruguay Round negotiations (1986-1994). Before the World Trade Organisation, there was GATT (General Agreement on Tariffs and Trade), which was replaced by the WTO.

According to the General Agreement, a body known as GATT was formed which evolved over the years of negotiations. The last GATT conference was held in 1994 (Uruguay Round). WTO was established after a year.

Uruguay Round

Among all trade rounds 'Uruguay Round' was most significant and largest round. Today's WTO rules and agreements are largely the result of the Uruguay Round trade negotiations, which began on September 20, 1986, in Punta del Este, Uruguay, and concluded on April 15, 1994 in Marrakesh, Morocco. It is one of the most significant reformations of GATT rules and agreements since the organization's inception. This trade negotiation involved a total of 125 countries.

The most important contributions of the Uruguay Round to ease international trade are as follows.

- (i) Major reduction in tariffs on industrial goods.
- (ii) Inclusion of services and intellectual property within the range of the multilateral trading system.

- (iii) Integrating trade in textiles and agricultural goods.
- (iv) Introduction of more effective means of dispute resolution.
- (v) Strengthening international trade against unfair trade practices.
- (vi) Provides for greater transparency in procedures for import licensing for ensuring fairness.
- (vii) Introduction of a new Trade Policy Review Mechanism (TPRM) for comprehensive and periodic reviews of national trade policies of the GATT member countries.
- (viii) Successful negotiation between the US and the EU on agriculture in a deal called the 'Blair House Accord'.

Why WTO replaced GATT?

There are various reasons why World Tariffs Profiles replaced GATT with WTO are-

- (i) GATT only deals with trading while WTO focuses on goods trading along with services and intellectual properties.
- (ii) Legal problems specifically in the agriculture and textile areas.
- (iii) No mechanism to resolve trade related disputes
- (iv) Didn't cover trade in services, intellectual property rights.

Objective of WTO

- (i) To limit the trading barriers by negotiating.
- (ii) Stimulating economic growth and development.
- (iii) To reduce trade disputes among the countries.
- (iv) To formulate and implement rules for international trade.
- (v) To increase the transparency of decision making process.
- (vi) To co-operate with other major international economic institutions involved in global economic management.
- (vii) To ensure that developing countries get benefits from global trading system.

Functions of WTO

- (i) Administering WTO trade agreements.
- (ii) Conducting forum for trade negotiations.
- (iii) Handling trade disputes.
- (iv) Monitoring national trade policies
- (v) Providing technical assistance and trading for developing countries.
- (vi) Cooperation with other international organisations.

Principles of WTO

- (i) Trade without discrimination.
- (ii) Free trade through negotiations.
- (iii) Predictability through binding and transparency.
- (iv) Promoting fair competition.
- (v) Encouraging development and economic reform.

Governance Structure of WTO



1. Ministerial Conference

The WTO's highest decision-making body which meets every two years. It brings together all WTO members, who are all countries or customs unions. It has the authority to make decisions under any multilateral trade agreement.

2. General Council

It is the WTO's highest level decision-making body, meeting on a regular basis to carry out WTO functions. It has representatives from all member governments and the authority to act on the ministerial conference's behalf.

The General Council also meets under different countries rules as

- The Trade Policy Review Body
- The Dispute Settlement Body

Three councils handling different broad areas of trade also report to General Council:

- The Council for Trade in Goods (Good Council)
- The Council for Trade in Services (Service Council)
- The Council for Trade Related Aspects of Intellectual Property Rights (TRIPS Council)

Good Council – The General Agreement on Tariffs and Trade (GATT) covers international trade in goods. It has following committees dealing with specific subjects.

1. Agriculture
2. Market access
3. Sanitary and phyto-sanitary measures
4. Technical barriers to trade
5. Subsidies and countervailing measure
6. Rules of origin
7. Anti-dumping measures
8. Importing licensing
9. Trade related investment measures
10. Safeguards
11. Trade facilitation
12. Custom valuations.

Service Council – Operates under the guidance of General Council and is responsible for smooth operation of the General Agreement on Trade Services (GATS)

It oversees the work of four subsidiary bodies.

- The Committee on Trade in Financial Services
- The Committee on Specific Commitments
- The Working Day on Domestic Regulations
- The Working Party on GATS Rules

Trade-Related Aspects of Intellectual Property Rights (TRIPS Council)

Monitor implementation of the Agreement on Trade Related Aspects of Intellectual Property Rights (the TRIPS Agreement)

Analysis of the role of WTO in international trade

The World Trade Organisation (WTO) is critical in promoting, regulating, and supervising international trade. Since its inception, its sole purpose has been to promote progressive trade liberalisation by removing various types of trade barriers and opening up markets, which is critical for overall economic development and well-being. Its primary function is to negotiate trade rules or agreements, which allows countries to demonstrate their commitment to liberalising international trade. The WTO's trading principles, such as transparency in

trade rules, non-discrimination, and so on, provide it with a strong structure to carry out its commitments to promote international trade. It provided an opportunity for developing countries to open their markets to other countries in order to achieve economic growth and development. The World Trade Organisation (WTO) has been successful in establishing many trade agreements that liberalise trade between countries. Furthermore, its Dispute Settlement Body has proven effective in resolving numerous trade-related disputes.

Challenges of the WTO

Despite getting many successes in steps to liberalising trade and its immense contribution to boosting international trade, it is continuously losing before its contemporary challenges.

Some of its recent challenges are as follows:

- (i) A long period of time taken to conclude negotiations.
- (ii) Disputes between the interests of developing and developed countries in trade.
- (iii) Dominance in trade by developed nations.
- (iv) Disputes related to the ‘developing’ status of certain countries and their eligibility to receive special treatment.
- (v) Balkanisation (division into smaller, ethnically homogenous units) of trade blocs within the WTO that is a regional alliance of some members of WTO to exert their influence within the organisation.

Conclusion

The WTO is among the three major international organisations (others are the International Monetary Fund and the World Bank) on which the world’s economic system rests. It has been appears as the most powerful institution for opening new markets for trade and reducing trade barriers for the promotion of international trade. Its role is in the settlement of disputes, uplifting developing nations, carrying out negotiations, or building cooperation with other organisations, has been very crucial for the working of the global trading system. Although there are many challenges ahead, the WTO has been continuously working toward their resolution. Now the time has come when the WTO should focus more on ‘fair trade’ — instead of ‘free trade’ and create more opportunities for developing nations so that they can come up to par with developed nations to overcome the challenges.

“WTO is the only multilateral system in which developed and developing countries sit together at par”

– Nirmala Sitharaman