

# World Trade Organization



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# History



- Originally set up in 1947 as the General Agreement on Tariffs and Trade (GATT)
  - Developed during 8 Rounds of Negotiations
- GATT was replaced by the WTO in 1995
  - 128 signing members
  - Governed 90% of world trade
- Currently, there are 153 member countries in the WTO

# General Agreement on Tariffs and Trade (GATT)





- ◎ Aimed at the abolition of quotas and the reduction of tariffs among member countries.
- ◎ Was suppose to be replaces by International Trade Organization (ITO)
  - ◎ USA didn't ratify









# WTO Functions

## Trade Negotiations

-  Cover goods, services, and intellectual property
-  Set procedures for settling disputes





# WTO Functions

-  Implementation and Monitoring
  -  Require governments to make their trade policies transparent by notifying the WTO
  -  WTO councils and committees ensure policies are being followed
  -  WTO members are periodically scrutinized on their trade policies and practices



# WTO Functions

## Dispute Settlement

-  Resolves trade quarrels to ensure trade runs smoothly
-  Countries petition the WTO if they believe they believe their rights are being infringed



# WTO Functions

- 🌐 **Building Trade Capacity**
  - 🌐 WTO specifically tries to aid developing countries to **build their trading capacity** and try to help **establish trading standards**
  - 🌐 Organizes technical cooperation missions, numerous **courses for government officials**, and the Aid for Trade tries to help **develop a country's skills and infrastructure** to expand their trade capacity



# WTO Functions

## Outreach

-  WTO works with Non-Government Organizations to expand WTOs function and enhance cooperation





# Principles of Trading System

- **1. Without Discrimination:** A country should not discriminate between its trading partners
- **2. Freer:** Barriers coming down through negotiation
  - Progressive Liberalization



# Principles of Trading System Continued

- **3. Predictable:** Foreign companies, investors, and governments should be confident that trade barriers should not be randomly raised
- **4. More Competitive:** Discouraging “unfair” practices such as export subsidies and dumping products at below cost to gain market share
- **5. More Beneficial for Less Developed Countries:** Giving them more time to adjust, greater flexibility, and special privileges.

# Organizational structure

- **Council for Trade in Goods**
  - All members of the WTO participate in the committees
- **Council for Trade-Related Aspects of Intellectual Property Rights**
  - Information on intellectual property in the WTO



# Organizational Structure Cont.

- **Trade Negotiations Committee**
  - deals with the current trade talks



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# Voting

- One Country One Vote
- Decision making is generally by consensus



# Members

- The World Trade Organization is composed of 153 countries
- Of these, 123 were signed during the Uruguay round
- WTO members do not have to be full-sovereign nation members
- Instead, they must be a custom territory with full autonomy in their external relations
  - Example: Hong Kong, China is considered a member





# Cons

- Currently the WTO is under criticism
  - Commonly viewed as irrelevant
  - Lack of Transparency
  - WTO is sometimes viewed as a rushed reaction to international trade due to WWII
  - drastic wealth inequalities between members
    - Trying to make the developing countries catch up to the developed

## Pros

- Globalization!!
- The alternative would be chaos
- For the most part the WTO is unbiased
- The power of Sanctions