World Trade Organization
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 supposed to be replaced 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 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 WTO’s 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
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