

World Trade Organization (WTO)

With its HEADQUARTERS in Geneva, the World Trade Organization is the member-directed institution that administers the rules governing world trade. These rules are designed to help trade flow smoothly, fairly, freely and predictably. The WTO was created in 1995 as the result of the Uruguay Round of Multilateral Trade Negotiations to give the GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) the needed institutional support for what was becoming an increasingly complicated system of trade rules. At that time, the WTO took its place with the INTERNATIONAL MONETARY FUND (IMF) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK) to complete the BRETTON WOODS TROIKA of international institutions overseeing the international economy. Increased world trade since 1945, which has been facilitated by the establishment of international rules under the WTO and its predecessor the GATT, has been one of the main engines of economic DEVELOPMENT and has contributed greatly to the improvement in income and the reduction of poverty around the world.

A DIRECTOR-GENERAL heads the WTO. The incumbent since September 2005 is Pascal Lamy, the former Commissioner for Trade at the European Commission. He is the fifth Director-General following Peter Sutherland (1993-1995), Renato Ruggiero (1995-1999), Michael Moore (2000-2002), and Supachai Panitchpakdi (2002-2005).

The Ministerial Conference, which is made up of Trade Ministers or equivalents from member countries and meets at least once every two years as it did in 2005 in Hong Kong, is the WTO's supreme decision-making body. It sets the organization's strategic direction. The World Trade Organization also has a General Council made up of ambassadors and heads of delegation in Geneva, that meets regularly to make the necessary day-to-day decisions. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body (DSB). The Goods Council, Services Council and Intellectual Property (TRIPS) Council report to the General Council. There are also specialized committees, working groups and working parties set up to deal with special issues.

The WTO has five main functions: 1) administering WTO trade agreements; 2) providing a forum for trade negotiations; 3) handling trade disputes; 4) monitoring national trade policies; 5) providing technical assistance and training for developing countries on trade policy; and 6) cooperating with other international organizations on trade issues.

Over a series of eight rounds of trade negotiations under the GATT, a complex web of some 60 agreements governing world trade grew up. The GATT itself, with annexes covering specific sectors such as agriculture and textiles, and specific issues such as state trading, product standards, subsidies and anti-dumping, became the umbrella agreement mandating non-discrimination for trade in goods. A General Agreement on Trade in Services (GATS), which contained both a framework and specific commitments for opening up service sectors to foreign competition, did the same for services. An Agreement on Trade-Related Aspects of Intellectual Property Rights provided protection to “intellectual property” such as patents, copyrights, trademarks, and trade secrets when trade was involved. Finally, a strengthened Dispute Settlement Understanding established procedures for resolving trade disputes through panels and appeals without resort to unilateral actions. The creation of the Dispute Settlement Board to adjudicate trade complaints among members was the greatest single accomplishment of the Uruguay Round, and the most important advancement over the previous GATT dispute resolution process. It had been so successful that everyone from HUMAN RIGHTS activists to environmentalists have sought access to it for their own purposes.

There were 149 countries as of August 2006 that were members of the WTO and bound by its agreements, accounting for well over 90 per cent of world trade. The number continued to grow with important countries like China, Saudi Arabia, and Taiwan recently joining. And RUSSIA is currently negotiating its accession.

The impact of the WTO on the world economy is extraordinary, given that the organization had, in 2005, a staff of only 516 and a frugal BUDGET of slightly more than 168.7 million Swiss francs or approximately US\$136 million (at the August 2006 rate of exchange).

The world trading system epitomized by the WTO has come under heavy attack in recent years by protest groups opposed to GLOBALIZATION, and by labor and environmental groups worried that trade was undermining labor standards and the ENVIRONMENT. The large demonstrations that disrupted the ill-fated Third WTO Ministerial held in Seattle in 1999 and the Fifth WTO Ministerial in Cancun in 2003 received worldwide media coverage and underlined the popular resistance to trade liberalization that governments would have to address to make further progress.

The planned new round of multilateral trade negotiations that failed to get off the ground at Seattle in 1999 was only belatedly launched as the Doha Development Round in 2003. This round, which was intended to promote growth in the developing world, was unfortunately never able to reach an agreement, and was formally suspended by the WTO Director General in June 2006. The differences among the main parties were too wide to be breached. The United States, which believes that more open markets are the path to development and which already has relatively low industrial tariffs, wanted substantial industrial tariff cuts and the opening up of the agricultural sector. The European Union and Japan, which also have relatively low industrial tariffs, resisted the requested large concessions in their highly-protected agricultural sectors. And, while the emerging countries including Brazil, India and China welcomed any proposed actions by developed countries to cut tariffs and open up their agricultural sectors, they were loathe to make any concessions of their own. This was reinforced by the resentment felt by many developing countries over what they perceived to be their unfair treatment in the Uruguay Round.

While it is still possible that the negotiations could be successfully revived as was done in 1990 after the Uruguay Round was suspended, the will to make the required compromises does not seem to exist. And time is running out. The U.S. Administration's trade-promotion authority (TPA), which is required to get any trade deal through Congress, expires in June 2007. Future multilateral trade negotiations will eventually occur, but they could be delayed for quite some time.

During the period in which the multilateral trade negotiations have languished, there has been a proliferation of regional and bilateral trade agreements and of trade disputes that pose a threat to the integrity of the rules-based multilateral trading system administered by the WTO. (P.M. Grady)

See also Sustainable Development.

For further reading: Grady, Patrick and Kathleen Macmillan, *Seattle and Beyond: The WTO Millennium Round*. Ottawa, Canada: Global Economics Ltd., 1999. Schott, Jeffrey J. (ed). *The WTO After Seattle*. Washington, DC: Institute for International Economics, 2000.