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# Background...

During great depression of 1930's the international trade was badly affected and various countries imposed the import restrictions for safeguarding their economies.

It resulted in sharp decline in world trade.

IN 1945, USA put forward many proposals for extending international trade and employment.

On Oct, 30<sup>th</sup> 1947, 23 countries at Geneva signed an agreement related to tariffs imposed on trade.



# What is GATT ?.....

- ❑ The General Agreement On Tariff And Trade(GATT), the predecessor of WTO , was born in 1948 , as result of the international desire to liberalize trade.
- ❑ The GATT was transformed into a World Trade Organization(WTO) with effect from January 1995.
- ❑ India is one of the founder member of IMF,World Bank, GATT and the WTO.

# Points related to GATT.....

- ❑ The Bretton Wood Conference in 1944, recommended the establishment of an international trade organization and therefore, GATT (General Agreement on Tariffs and Trade) was established in 1947.
- ❑ 23 nations signed the original agreement of GATT.
- ❑ It came into force on Jan 1, 1948.
- ❑ India was one of the original member (founder)
- ❑ Its membership increased to 128 countries as on Dec 31<sup>st</sup>, 1994 – the it ceased to exists.
- ❑ Remained into existence for the period of 46 years.

# Objectives...

- To promote international trade by reducing tariff and non tariff restrictions on imports by member countries.
- Tariff barriers means imposing import duty
- Non tariff barriers includes import – licensing, quota or banning the imports.
- To expand world resources and better utilization of world's resources.
- To increase standard of living of global population.
- To increase multilateral trade.
- To increase employment in the members Countries.

# PRINCIPLES ADOPTED BY GATT

## NON - DISCRIMINATION

- ❖ A contracting party's trade policies must treat all GATT members equally.
- ❖ No member country shall discriminate between the members of GATT in the conduct of international trade.
- ❖ Members of GATT agree to apply the principle of “most favored nations” (MFN) to all export and import duties.
- ❖ National Treatment : Foreign goods, services or investments are to be treated “no less favorably” within a nation's domestic markets than the competing products and services produced locally.
- ❖ GATT seeks to discourage quantitative restrictions (maximum limits on imports and exports) except :-
  - 1) Countries having BOP difficulties and to the developed countries.
  - 2) To agriculture and fishery products if domestic production is also subject to restrictions.

# CRITICISM OF GATT ....

- ✓ Before 6<sup>th</sup> and 7<sup>th</sup> round, every country followed such agricultural trade policies which were inconsistent with GATT.
- ✓ Developed countries abolished many tariff barriers rules.
- ✓ It was a mandatory body and didn't have any mechanism to get its rules implemented contracting parties.



# ROUNDS OF GATT NEGOTIATION

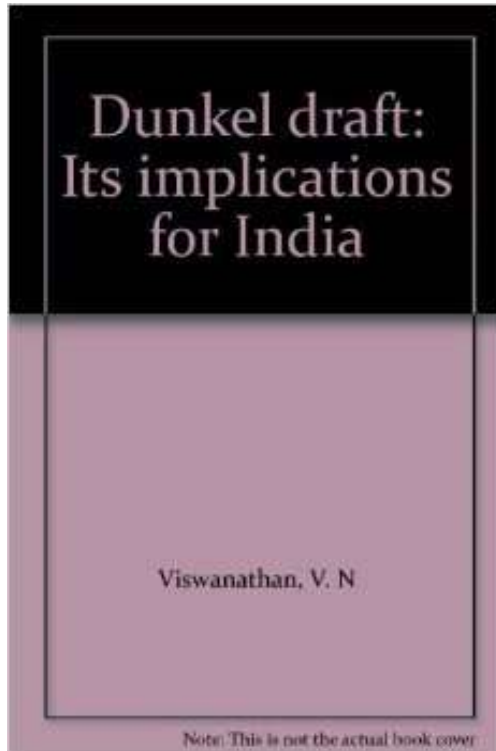
Between 1947 and the last year of GATT there were 8 rounds of negotiations between the participating countries.

The first 6 rounds were related to curtailing tariff rates. 7th round included the non tariff obstacles. included the non tariff obstacles.

The 8th round was entirely different from the previous rounds because it included a number of new subjects for consideration. This 8th round was included a number of new subjects for consideration. This 8th round was known as “URUGUAY ROUND”.

The discussions at this round only gave birth to **WORLD TRADE ORGANISATION (WTO)**.

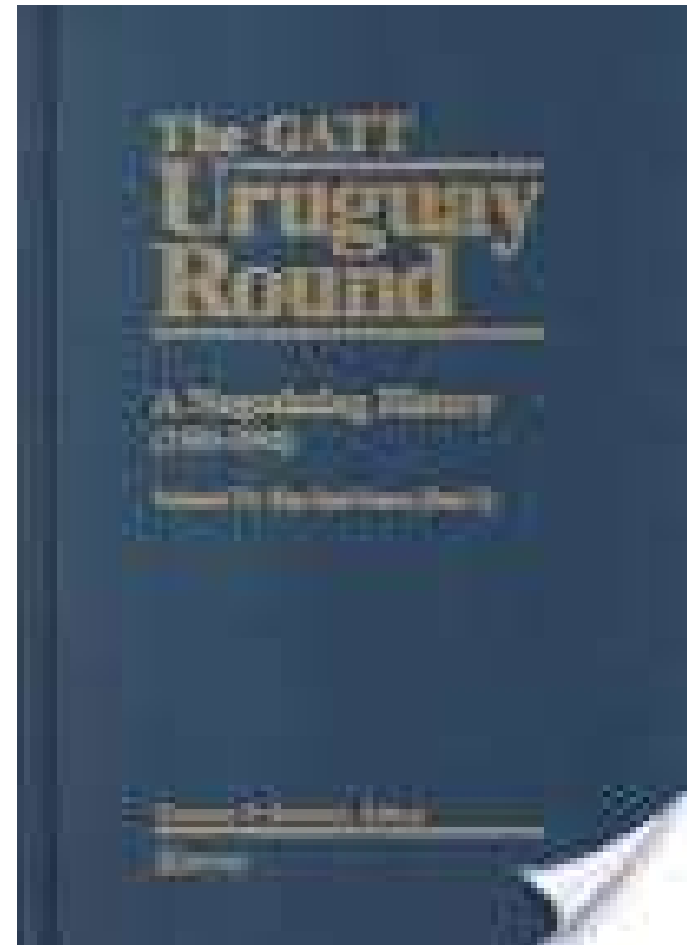
# Dunkel Draft / Conversion into WTO



First seven rounds of GATT were aim at promoting international Trade in Goods.

## Eight Round or Uruguay Rounds :-

- Sep 1986 – Dec 15, 1993
- GATT was replaced by WTO w.e.f. 1 Jan, 1995
- The final draft of this round – prepared by Mr. Arthur Dunkel
- Signed by 124 nations on 15<sup>th</sup> April, 1994



# FROM GATT TO WTO

**Following the UR agreement, GATT was converted from a provisional agreement into a formal international organization called World Trade Organization (WTO), with effect from January 1, 1995**

GATT	WTO
GATT was ad hoc and provisional	WTO and its agreements are permanent
GATT had contracting parties	WTO has members
GATT system allowed existing domestic legislation to continue even if it violated a GATT agreement	WTO does not permit this
GATT system was less powerful, dispute settlement system was slow and less efficient, its ruling could easily be blocked	WTO is more powerful than GATT, dispute settlement mechanism is faster and more efficient, very difficult to block the rulings.

# WORLD TRADE ORGANIZATION



# What is WTO ?.....

The World Trade Organization (WTO) is the International body dealing with the rules of trade between nations. Its goal is to supervise and expand international trade, monitor national trade policies, and provide technical assistance to developing nations. The WTO is a forum for negotiating and formalizing agreements between nations, as well as resolving disputes. The organization grew from the General Agreement on Tariffs and Trade (GATT), which was established shortly after World War II. The WTO officially began in 1995 and now has 163 member countries, representing more than 97% of the world's trade. An additional 30 nations are currently observers seeking membership.



# **WTO**

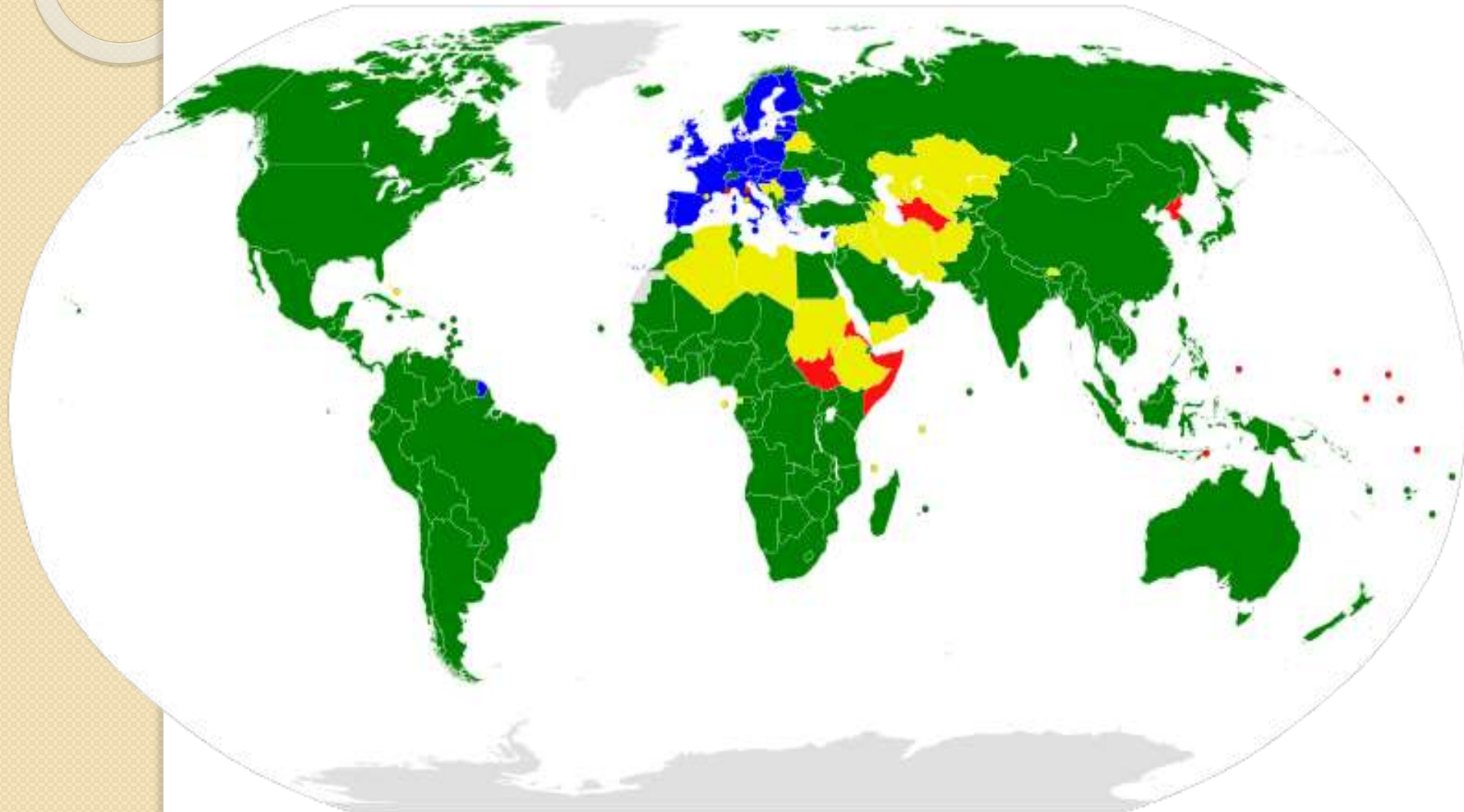
## ***MEMBERSHIP.....***

Beginning (1 Jan, 1995) – 128 nations

At present – 163 member nations

Map of World Trade Organization members and observers.


- Members
- Members, dually represented by the European Union
- Observers
- Non-members






# Director General of WTO :- Mr. Roberto Azevedo



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- ❑ Consists of a set of 28 multi- lateral agreements.
  - ❑ WTO is new globally recognized trade organization with the new name succeeding GATT on renewed agreements and having a new vision and strong enforcement power to promote international trade.
  - ❑ Official Language : English, French, Spanish
  - ❑ It will be directed by the Ministerial Conference that will meet at least once in two years.

# Ministerial Conference (Geneva)



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- ❑ So far, 10 ministerial meets of WTO was held.  
8<sup>th</sup> was in Geneva
  - ❑ Headquarter : Geneva (Switzerland)
  - ❑ 9<sup>th</sup> - Bali(2013)





Headquarter :- GENEVA



- 9<sup>th</sup> WTO Ministerial Conference - Bali (Indonesia) – 159 members (as on 3-5 Dec, 2013)



3-5  
DECEMBER  
2013

# BALI TRADE & DEVELOPMENT CONFERENCE




# Objectives of WTO .....

- ❑ Primary aim of WTO is to implement the new world trade agreements.
- ❑ To promote free trade by abolishing tariff and non- tariff barriers.
- ❑ To enhance competitiveness among member nations/ trading partners so as to benefit consumers.
- ❑ Increase employment, standard of living, productivity and level of production.
- ❑ Optimum utilization of world's resources
- ❑ To take steps for the development of poorest nations

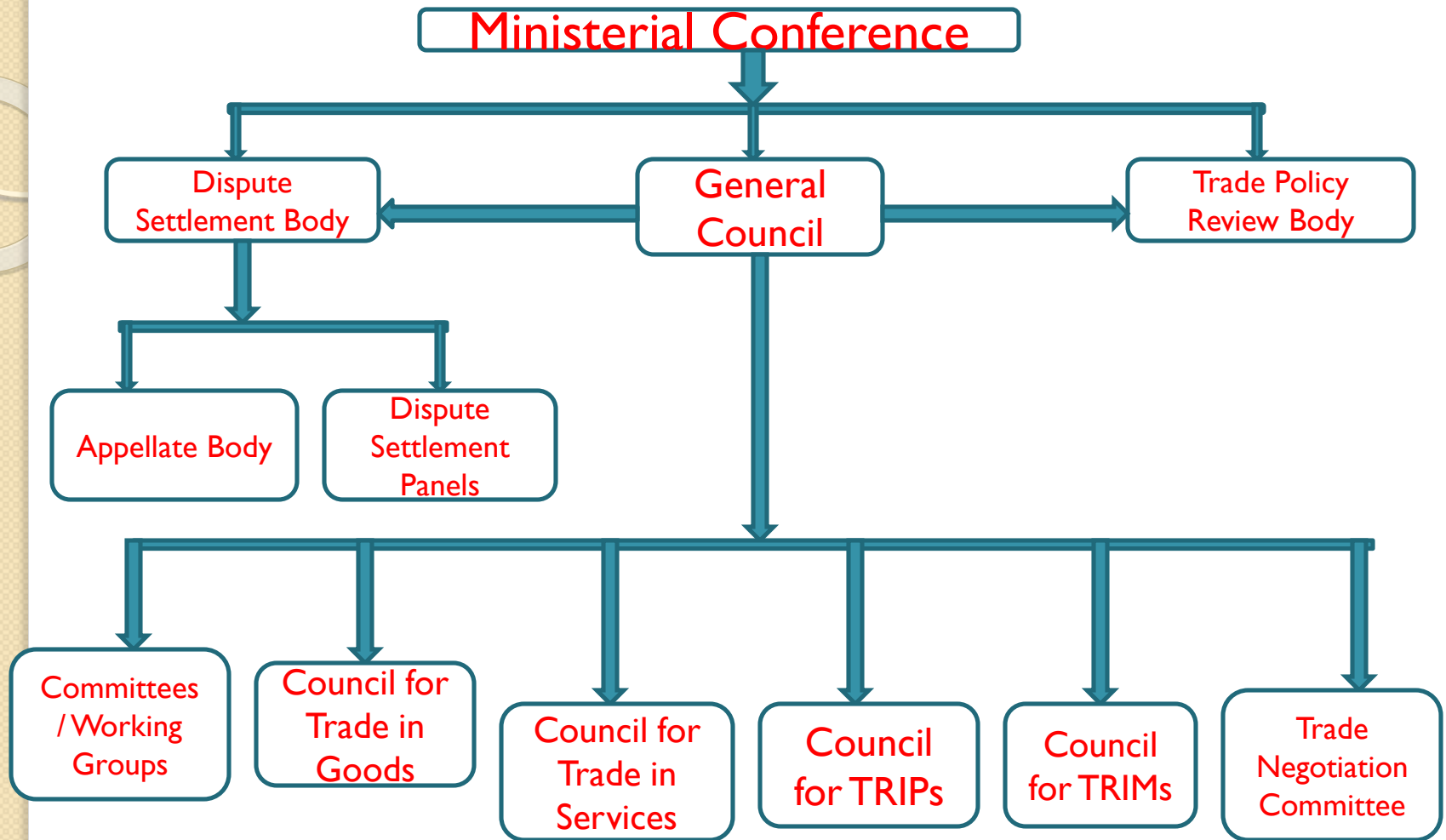


# Functions of WTO

- Provides forum for multi lateral trade negotiations.
- To implement WTO agreements and administrating the international trade .
- Laying down code of conduct aiming at reducing tariff and non tariff barriers in international trade.
- Administer the Trade Review Mechanism.
- Settling Trade related disputes with the help of its dispute settlement body (DSB)
- Providing Technical assistance and guidance related to management of foreign trade.
- Co-operate with other international institutions involved in global economic policy.
- Managing MTA and PTA ( pluri lateral )



# ORGANISATION STRUCTURE OF WTO



# SCOPE OF WTO

## I) Trade in Agriculture :

- Reduction in domestic subsidy
- Reduction in Export subsidy
- Improvement in Market Access
- Public Distribution System

## II) Trade in Textile and Clothing :

- Elimination of MFA(Multi – Fibre Arrangement)
- Reduction in Tariff
- Safeguard Mechanism

## III) Trade Related Intellectual Property Rights (TRIPs)

## IV) Trade Related Investment Measures (TRIMs)

## V) GATS (General Agreement on Trade in Services )

## VI) Dispute Settlement

## VII) Review Trade Policies of Member Countries

## VIII) Anti- Dumping Agreements



The Union Minister for Commerce, Industry and Textiles, Shri Anand Sharma addressing the 8th Meeting of India-UK Joint Economic and Trade Committee, in London on April 16, 2012





# INDIA & THE WTO

**India and WTO Newsletter**

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Ministry of Commerce & Industry  
Government of India



08

**WTO DG Contenders Call on Anand Sharma for India's Support**

**India Poised to be Leading International Trading Hub for Rough Diamonds**

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# WTO AND INDIA

- Advantages

1. Increase in Foreign Trade.
2. Increase in Agricultural Exports.
3. Increase in Inflow of Foreign Investment.
4. Improvement in Services.
5. Benefits for Clothing and Textile Industry.
6. Benefits of Multilateral Trade System.
7. Inflow of Better Technology and Better quality products.
8. Promotion of Research because of patents.
9. Benefits of Using Quality Seeds and New Varieties of Plants.
10. Restricts Dumping.




## Disadvantage





- ❑ Disadvantage to Agricultural Sector



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- ❑ Loss to Domestic Industries.
  - ❑ Patents of Indian Herbs by Foreign Companies.
  - ❑ Effects on Prices.
  - ❑ Increased Litigation Cost.
  - ❑ Issue of Social Cost, Environment Cost and Labour Cost.
  - ❑ Loss to Regional Groupings
  - ❑ Disadvantage to Service Sector.
  - ❑ Increase in Unemployment.

# Evaluation of WTO

Still to make progress on the following issues :

- ❑ The Trade reform process is incomplete in many countries.
- ❑ WTO has not done much for the development of non-tariff barriers to imports from the under developed countries such as anti dumping duties.
- ❑ WTO has been much more beneficial to the developed countries where the benefits of free trade accrue mainly to the under developed countries.
- ❑ All the WTO members are not equally integrated in the multilateral systems.