



**Module:** English

**Branch:** International Trade

**Level:** Third year Bachelor

### **Lecture 03: Organizations and rules governing international trade –W.T.O-**

#### **Learning Objectives**

##### **After teaching this Lecture the Students:**

- Will be familiar with the history of World Trade Organization.
- Will be familiar with the context in which the rules of international trade operate.

#### **1- History**

As you know the current international trade regime commenced with the General Agreement on Tariffs and Trade (GATT), and ending with the creation of the World Trade Organization (WTO).

##### **1.1- The General Agreement on Tariffs and Trade**

In 1945, the United States submitted a document to the United Nations, calling for the creation of what was then called the International Trade Organization (ITO). This plan led to the commencement of a long string of negotiation rounds, all with the purpose of promoting trade across borders. For a variety of reasons, the ITO never materialized. Nevertheless, the concessions resulting from the negotiations were recorded in what is known as the General Agreement on Tariffs and Trade (GATT 1947). Given that the ITO never came into existence, no organization was formally charged with implementing the GATT. Notwithstanding, the GATT was implemented through a Protocol of Provisional Application, which lasted almost fifty years. Originally, the GATT was controlled by industrialized nations, and therefore did not address the concerns of developing countries. Notably, the Middle East was poorly represented in GATT 1947—only two of the twenty-three Contracting Parties, Lebanon and Syria, were from this part of the world. Moreover, many of the developing countries included as Contracting Parties had only recently left the sphere of influence of European powers (e.g. Burma, India, Pakistan, etc.). Between 1947 and 1979, the GATT's Contracting Parties undertook seven rounds of negotiations—including the 1947 round.<sup>10</sup> Throughout these years, the number of Contracting Parties increased from a meager twenty-three to a substantial one-hundred-and-two at the Tokyo Round of Negotiations.

##### **1.2- The Uruguay Round and the Creation of the World Trade Organization (WTO)**

In 1986, the most important round of negotiations to date commenced in Punta del Este, Uruguay. Known as the Uruguay Round, this round led to the creation of an international organization devoted to trade. The Marrakesh Agreement of 1994<sup>11</sup> marked the end of the Uruguay Round of negotiations and the establishment of the World Trade Organization (WTO). It also marked the end of the GATT years, but only to a certain extent. Although the GATT was no longer the pre-eminent international trade “organization,” its rules, ancillary agreements, and concession schedules were adopted by the WTO.

## **2- The World Trade Organization and its Functions**

This Part will outline the basic structure of the WTO, the composition and responsibilities of each of its branches, its membership.

### **2.1- The Structure of the World Trade Organization**

The WTO contains the highest authority, the Ministerial Conference, and ending with the Secretariat.

The Ministerial Conference is the WTO’s highest decision-making body. As the highest authority within the WTO, the Ministerial Conference is charged with making decisions on all matters under any of the multilateral agreements. One step below the Ministerial Conference is the General Council. The General Council is composed of the same members as the Ministerial Conference and provides overall supervision of the WTO between meetings of the Ministerial Conference. In addition to its oversight duties, the General Council may meet under different terms of reference as the Dispute Settlement Body (DSB) and as the Trade Policy Review Body (TPRB). As suggested by their names, each of these bodies has different responsibilities.

The Secretariat of the WTO is charged with a variety of administrative duties. Although the duties it carries out for the WTO are incredibly important, its budget is relatively small. The Secretariat is funded by the Member States based on their share of world trade. Regardless of the fact that a single state may be responsible for a greater proportion of the funding than others, the Director General and the Secretariat staff are forbidden by the WTO Agreement from seeking or accepting instructions from an individual government of authority outside the WTO.

### **2.2-Membership of the World Trade Organization**

To join the WTO, interested parties must go through the process of accession. Article XII of the WTO Agreement lists the basic requirements that must be fulfilled by a state in order to be eligible to begin the accession process. Specifically, a party that wishes to accede to the WTO must be either a State or a separate customs territory “possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in [the WTO Agreement] and the Multilateral Trade Agreements...” Additionally, the WTO Agreement sets forth a variety of procedural and substantive requirements that must be fulfilled in order to accede to the WTO.

A country that no longer wishes to be a Member of the WTO may withdraw from the organization. Article XV of the WTO Agreement states that a withdrawal “shall take effect upon the expiration of six months from the date on which written notice of withdrawal is received by the Director-General of the WTO.” This means that a country wishing to withdraw may not

immediately suspend its trade commitments. By forbidding the immediate suspension of concessions, the WTO Agreement gives affected Members a reasonable period of time to adjust their trade policies following the withdrawal of a Member. Ultimately, the goal of the six-month time lapse is to reduce shocks in international trade and in the individual economies of the WTO's Members.

### **2.3-The Dispute Settlement Body and its Role in Dispute Resolution**

The Dispute Settlement Understanding (DSU) provides in Article 3 that the DSB's job is to "preserve the rights and obligations of Members under the **covered agreements**."12 Earlier in this chapter, we learned that the "covered agreements" are those included in the annexes of the WTO Agreement. Article 3 of the DSU also stipulates that the goal of the dispute settlement process is to reach a positive and mutually agreeable solution for the parties involved. If a mutually agreeable solution is not possible, the DSB's objective shifts to that of forcing the infringing Member to conform to its obligations. Thus, the role of the DSB is to encourage the amiable resolution of disputes in the first instance, and to secure the preservation of a Member's rights when an amicable solution cannot be reached.

### **3- Key Terms To learn**

- **Accession:** Process by which a country becomes a Member of the World Trade Organization..
- **Contracting Parties:** Name given to the signatories of the General Agreement on Tariffs and Trade during its period of provisional application.
- **Treaty:** A deal or agreement made between countries

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