



WORLD TRADE
ORGANIZATION

WTO IN BRIEF



In brief, the World Trade Organization (WTO) is the only international organization dealing with the global rules of trade. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

Global trade rules

Global rules of trade provide assurance and stability. Consumers and producers know they can enjoy secure supplies and greater choice of the finished products, components, raw materials and services they use. Producers and exporters know foreign markets will remain open to them.

This leads to a more prosperous, peaceful and accountable

economic world. Decisions in the WTO are typically taken by consensus among all members and they are ratified by members' parliaments. Trade frictions are channelled into the WTO's dispute settlement process, where the focus is on interpreting agreements and commitments and how to ensure that members' trade policies conform with them. That way, the risk of disputes spilling over into



political or military conflict is reduced.

By lowering trade barriers through negotiations among member governments, the WTO's system also breaks down other barriers between peoples and trading economies.

At the heart of the system – known as the multilateral trading system – are the WTO's

agreements, negotiated and signed by a large majority of the world's trading economies, and ratified in their parliaments. These agreements are the legal foundations for global trade. Essentially, they are contracts, guaranteeing WTO members important trade rights. They also bind governments to keep their trade policies transparent and predictable which is to everybody's benefit.

The agreements provide a stable and transparent framework to help producers of goods and services, exporters and importers conduct their business.

The goal is to improve the welfare of the peoples of the WTO's members.



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Trade negotiations

The World Trade Organization came into being in 1995. One of the youngest of the international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War.

So while the WTO is relatively young, the multilateral trading system that was originally set up under the GATT is over 70 years old.

The past 70 years have seen an exceptional growth in world trade. Merchandise exports have grown on average by 6% annually. This growth in trade has been a powerful engine for overall economic expansion and on average trade has grown by 1.5 times more than the global economy each year. Total exports in 2016 were 250 times the level of 1948. The GATT and the WTO have helped to create a strong and prosperous trading system

contributing to unprecedented growth.

The system was developed through a series of trade negotiations, or rounds, held under the GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The 1986-94 round – the Uruguay Round – led to the WTO's creation.

The negotiations did not end there. In 1997, an agreement was reached on telecommunications services, with 69 governments agreeing to wide-ranging liberalization measures that went beyond those agreed in the Uruguay Round.

In the same year, 40 governments successfully concluded negotiations for tariff-free trade in information technology products, and 70 members concluded a financial services deal covering more than 95% of trade in banking, insurance, securities and financial information.

In 2000, new talks started on agriculture and services. These were incorporated into a broader work programme, the Doha Development Agenda, launched at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001.



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The new work programme included negotiations and other work on non-agricultural tariffs, trade and the environment, WTO rules on anti-dumping and subsidies, trade facilitation, transparency in government procurement, intellectual property and a range of issues raised by developing economies as difficulties they face in implementing WTO agreements.

Negotiations on these and other topics have resulted in major updates to the WTO rulebook in recent years. A revised Government Procurement Agreement – adopted at the WTO's 8th Ministerial Conference in 2011 – expanded the coverage of the original agreement by an estimated US\$ 100 billion a year.

At the 9th Ministerial Conference in Bali in 2013,

WTO members struck the Agreement on Trade Facilitation, which aims to reduce border delays by slashing red tape. When fully implemented, this Agreement – the first multilateral accord reached at the WTO – will cut trade costs by more than 14% and will lift global exports by as much as US\$ 1 trillion per year.

The expansion of the Information Technology Agreement – concluded at the 10th Ministerial Conference in Nairobi in 2015 – eliminated tariffs on an additional 200 IT products valued at over US\$ 1.3 trillion per year. Another outcome of the Conference was a decision to abolish agricultural export subsidies, fulfilling one of the key targets of the UN Sustainable Development Goal on “Zero hunger”.

Most recently, an amendment to the WTO's Intellectual Property Agreement entered into force in 2017, easing poor economies' access to affordable medicines. The same year saw the Trade Facilitation Agreement enter into force.



WTO agreements

How can you ensure that trade is as fair as possible, and as open as is practical? By negotiating rules and abiding by them.

The WTO's rules – the agreements – are the result of negotiations between the members. The current set is largely the outcome of the 1986-94 Uruguay Round negotiations, which included a major revision of the original General Agreement on Tariffs and Trade (GATT).

The Uruguay Round created new rules for dealing with trade in services and intellectual property and new procedures for dispute settlement. The complete set runs to some 30,000 pages consisting

of about 30 agreements and separate commitments (called schedules) made by individual members in specific areas, such as lower tariffs and services market-opening.

Through these agreements, WTO members operate a non-discriminatory trading system that spells out their rights and their obligations. Each member receives guarantees that its exports will be treated fairly and consistently in other members' markets. Each promises to do the same for imports into its own market. The system also gives developing economies some flexibility in implementing their commitments.



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■ Goods

It all began with trade in goods. From 1947 to 1994, the GATT was the forum for negotiating lower tariffs and other trade barriers; the text of the GATT spelt out important rules, particularly non-discrimination.

Since 1995, the Marrakesh Agreement Establishing the WTO and its annexes (including the updated GATT) has become the WTO's umbrella agreement. It has annexes dealing with specific sectors relating to goods, such as agriculture, and with specific issues such as product standards, subsidies and actions taken against dumping. A recent significant addition was the Trade Facilitation Agreement, which entered into force in 2017.

■ Services

Banks, insurance firms, telecommunications companies, tour operators, hotel chains and transport companies looking to do business abroad enjoy the same principles of more open trade that originally only applied to trade in goods.

These principles appear in the General Agreement on Trade in Services (GATS). WTO members have also made individual commitments under the GATS stating which of their service sectors they are willing to open to foreign competition, and how open those markets are.

■ Intellectual property

The WTO's Intellectual Property Agreement contains rules for trade in ideas and creativity. The rules state how copyrights, patents, trademarks, geographical names used to identify products, industrial designs and undisclosed information such as trade secrets – "intellectual property" – should be protected when trade is involved.

■ Dispute settlement

The WTO's procedure for resolving trade conflicts under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly. Governments bring disputes to the WTO if they think their rights under the WTO agreements are being infringed. Judgements by specially appointed independent experts are based on interpretations of the agreements and individual members' commitments.

The system encourages members to settle their differences through consultation with each other. If this proves to be unsuccessful, they can follow a stage-by-stage procedure that includes the possibility of a ruling by a panel of experts and the chance to appeal the ruling on legal grounds. Confidence in the system is borne out by the number of cases brought to the WTO – more than 500 cases since the WTO was established compared with the 300 disputes dealt with during the entire life of the GATT (1947-94).

■ Trade monitoring

The WTO's Trade Policy Review Mechanism is designed to improve transparency, to create a greater understanding of the trade policies adopted by WTO members and to assess their impact. Many members see the reviews as constructive feedback on their policies. All WTO members must undergo periodic scrutiny, each review containing reports by the member concerned and the WTO Secretariat.

In addition, the WTO undertakes regular monitoring of global trade measures. Initially launched in the wake of the financial crisis of 2008, this global trade monitoring exercise has become a regular function of the WTO, with the aim of highlighting WTO members' implementation of both trade-facilitating and trade-restricting measures.

Building trade capacity in developing economies

Over three-quarters of WTO members are developing or least-developed economies. All WTO agreements contain special provisions for them, including longer time periods to implement commitments, measures to increase their trading opportunities and support to help them build the infrastructure needed to participate in world trade.

A WTO Committee on Trade and Development looks at developing economies' special needs. Its responsibility includes implementation of the WTO agreements, technical cooperation and the increased participation of developing economies in the global trading system.

The Aid for Trade initiative, launched by WTO members in 2005, is designed to help developing economies build trade capacity, enhance their infrastructure and improve their ability to benefit from trade-opening opportunities. So far, over US\$ 340 billion has been disbursed to support Aid for Trade projects. A Global Review of the initiative is held every two years at the WTO's headquarters.

The Enhanced Integrated Framework (EIF) is the only multilateral partnership dedicated exclusively to assisting least developed countries (LDCs) in their use of trade as an engine for growth, sustainable development and poverty reduction. The EIF partnership of 51 countries,



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24 donors and eight partner agencies, including the WTO, works closely with governments, development organizations, civil society and academia. The EIF has invested in over 170 projects, with US\$ 220 million committed to supporting the poorest countries in the world.

Another partnership supported by the WTO is the Standards and Trade Development Facility (STDF), set up to help developing economies meet international standards for food safety, plant and animal health and access global markets. The WTO houses the Secretariat and manages the STDF trust fund, which has provided financing of over US\$ 40 million to support projects in low-income economies.

Technical assistance and training

The WTO organizes hundreds of technical cooperation missions to developing economies annually. It also holds many trade policy courses each year in Geneva for government officials. Regional seminars are held regularly in all regions of the world, with a special emphasis on African countries. E-learning courses are also available. In 2017, some 18,500 participants benefited from WTO training aimed at improving understanding of WTO agreements and global trade rules.



How the WTO is organized

Functions

The WTO's overriding objective is to help trade flow smoothly, freely and predictably. It does this by:

- administering trade agreements
- acting as a forum for trade negotiations
- settling trade disputes
- reviewing national trade policies
- building the trade capacity of developing economies
- cooperating with other international organizations

Structure

The WTO has 164 members, accounting for 98% of world trade. A total of 22 countries are negotiating membership.

Decisions are made by the entire membership. This is typically by consensus. A majority vote is also possible but it has never been used in the WTO, and was extremely rare under the WTO's predecessor, the GATT. The WTO's agreements have been ratified in all members' parliaments.

The WTO's top level decision-making body is the Ministerial Conference, which meets usually every two years.

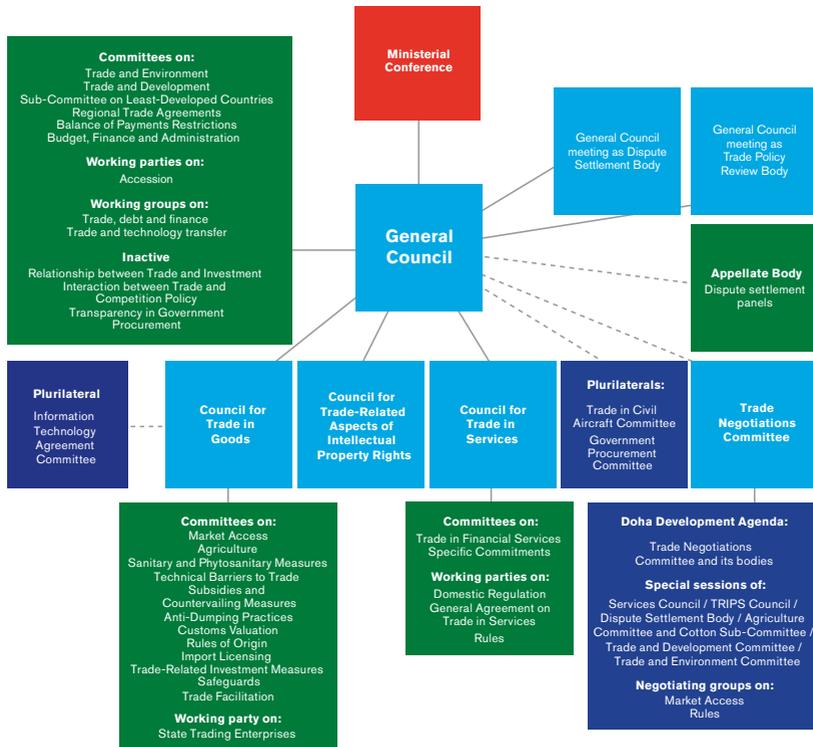
Below this is the General Council (normally ambassadors or heads of delegation based in Geneva but sometimes officials sent from a member's government) which meets several times a year in the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body.

At the next level, the Goods Council, Services Council and Intellectual Property (TRIPS) Council report to the General Council.

Numerous specialized committees, working groups and working parties deal with the individual agreements and other areas, such as the environment, development, membership applications and regional trade agreements.



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WTO Secretariat

The WTO Secretariat, based in Geneva, has around 630 staff and is headed by a Director-General. It does not have branch offices outside Geneva. Since decisions are taken by the WTO's members, the Secretariat does not itself have a decision-making role.

The Secretariat's main duties are to supply technical support for the various councils/committees and the ministerial conferences, to provide technical assistance for developing economies, to analyse world trade and to explain WTO activities to the public and media.

The Secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become members of the WTO. The annual budget contributed by members is roughly 197 million Swiss francs.

FACT FILE

THE WTO

LOCATION: Geneva, Switzerland

ESTABLISHED: 1 January 1995

CREATED BY: Uruguay Round negotiations (1986-94)

MEMBERSHIP: 164 members representing 98% of world trade (as of 30 Sept 2018)

BUDGET: 197 million Swiss francs for 2018

SECRETARIAT STAFF: 630

HEAD: Roberto Azevêdo (Director-General)

FUNCTIONS:

- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring trade policies
- Technical assistance and training for developing economies
- Cooperation with other international organizations

FURTHER INFORMATION

- *10 things the WTO can do* (available from the WTO Online Bookshop and downloadable from the WTO website)
- *WTO Annual Report* (available from the WTO Online Bookshop and downloadable from the WTO website)
- WTO Website: www.wto.org
- WTO iLibrary: www.wto-ilibrary.org



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