THE MULTILATERAL TRADING SYSTEM–PAST, PRESENT AND FUTURE

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 still young, the multilateral trading system that was originally set up under GATT is well over 50 years old.

The past 50 years have seen an exceptional growth in world trade. Merchandise exports grew on average by 6% annually. Total trade in 2000 was 22-times the level of 1950. 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 GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The last round – the 1986-94 Uruguay Round – led to the WTO's creation.

The negotiations did not end there. Some continued after the end of the Uruguay Round. In February 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 have now been incorporated into a broader work programme, the Doha Development Agenda (DDA), launched at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001.

The agenda adds negotiations and other work on non-agricultural tariffs, trade and environment, WTO rules such as anti-dumping and subsidies, investment, competition policy, trade facilitation, transparency in government procurement, intellectual property, and a range of issues raised by developing countries as difficulties they face in implementing the present WTO agreements.

WTO AGREEMENTS

How can you ensure that trade is as fair as possible, and as free 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 were the outcome of the 1986-94 Uruguay Round negotiations which included a major revision of the original General Agreement on Tariffs and Trade (GATT).

GATT is now the WTO's principal rule-book for trade in goods. The Uruguay Round also created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement, and trade policy reviews. 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 customs duty rates and services market-opening.

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

GOODS

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

Since 1995, the updated GATT has become the WTO's umbrella agreement for trade in goods. It has annexes dealing with specific sectors such as agriculture and textiles, and with specific issues such as state trading, product standards, subsidies and actions taken against dumping.

SERVICES

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

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

INTELLECTUAL PROPERTY

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

DISPUTE SETTLEMENT

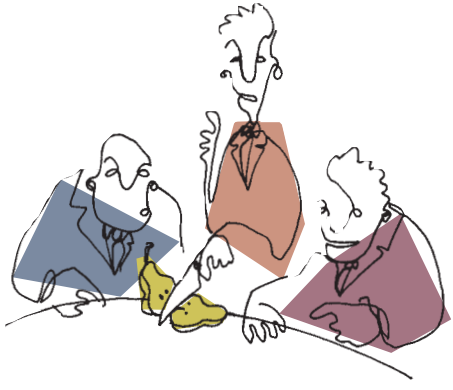
The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly. Countries bring disputes to the WTO if they think their rights under the agreements are being infringed. Judgements by specially-appointed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

The system encourages countries to settle their differences through consultation. Failing that, they can follow a carefully mapped out, 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 300 cases in ten years compared to the 300 disputes dealt with during the entire life of GATT (1947-94).

TRADE POLICY REVIEW

The Trade Policy Review Mechanism's purpose is to improve transparency, to create a greater understanding of the policies that countries are adopting, and to assess their impact. Many members also see the reviews as constructive feedback on their policies.

All WTO members must undergo periodic scrutiny, each review containing reports by the country concerned and the WTO Secretariat.



DEVELOPING COUNTRIES

DEVELOPMENT AND TRADE

Over three-quarters of WTO members are developing or least-developed countries. All WTO agreements contain special provision for them, including longer time periods to implement agreements and commitments, measures to increase their trading opportunities, provisions requiring all WTO members to safeguard their trade interests, and support to help them build the infrastructure for WTO work, handle disputes, and implement technical standards.

The 2001 Ministerial Conference in Doha set out tasks, including negotiations, for a wide range of issues concerning developing countries. Some people call the new negotiations the Doha Development Round.

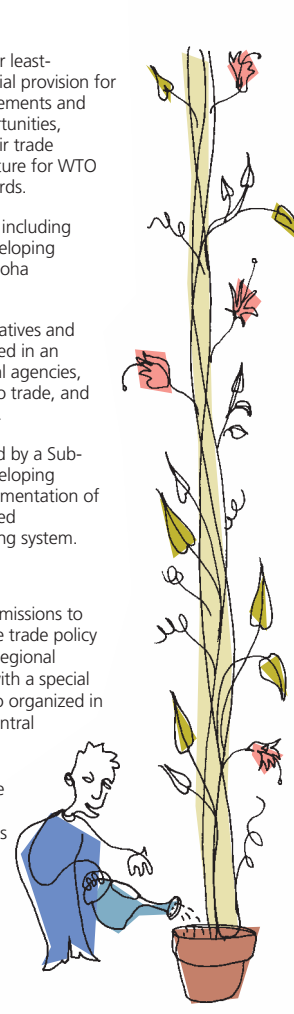
Before that, in 1997, a high-level meeting on trade initiatives and technical assistance for least-developed countries resulted in an "integrated framework" involving six intergovernmental agencies, to help least-developed countries increase their ability to trade, and some additional preferential market access agreements.

A WTO Committee on Trade and Development, assisted by a Sub-Committee on Least-Developed Countries, looks at developing countries' special needs. Its responsibility includes implementation of the agreements, technical cooperation, and the increased participation of developing countries in the global trading system.

TECHNICAL ASSISTANCE AND TRAINING

The WTO organizes hundreds of technical cooperation missions to developing countries annually. It holds on average three 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. Training courses are also organized in Geneva for officials from countries in transition from central planning to market economies.

The WTO has set up reference centres in over 100 trade ministries and regional organizations in capitals of developing and least-developed countries. These centres provide computers and internet access to enable ministry officials to keep abreast of events in the WTO through online access to the WTO's immense database of official documents and other material. Efforts are also being made to help countries that do not have permanent representatives in Geneva.



FACT FILE

The WTO

Location: Geneva, Switzerland
Established: 1 January 1995
Created by: Uruguay Round negotiations (1986-94)
Membership: 153 countries (on 23 July 2008)
Budget: 189 million Swiss francs for 2009
Secretariat staff: 625
Head: Director-General, Pascal Lamy
Functions:

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

FURTHER INFORMATION

10 Benefits of the WTO Trading System and *10 Common Misunderstandings about the WTO*
Companion pamphlets in this series.

Understanding the WTO
In booklet and interactive electronic versions, obtainable from WTO Publications, downloadable from the WTO website.

Guide to the Uruguay Round Agreements
By the WTO Secretariat, published jointly by the WTO and Kluwer Law International.

The WTO Website
http://www.wto.org

CONTACTING THE WTO

Rue de Lausanne 154, CH-1211 Geneva 21, Switzerland
Tel.: +41 (0)22 739 51 11 • Fax: +41 (0)22 731 42 06

WTO Information and External Relations Division
Tel.: +41 (0)22 739 50 07 / 51 90 • Fax: +41 (0)22 739 54 58
e-mail: enquiries@wto.org

WTO Publications
Tel.: +41 (0)22 739 52 08 / 739 53 08 • Fax: +41 (0)22 739 57 92
e-mail: publications@wto.org

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