



World Trade Organisation

 drishtiias.com/printpdf/world-trade-organisation-1

Why in News

Nigeria's **Ngozi Okonjo-Iweala** was appointed as **Director-General** of the **World Trade Organisation (WTO)**, the leading international trade body.

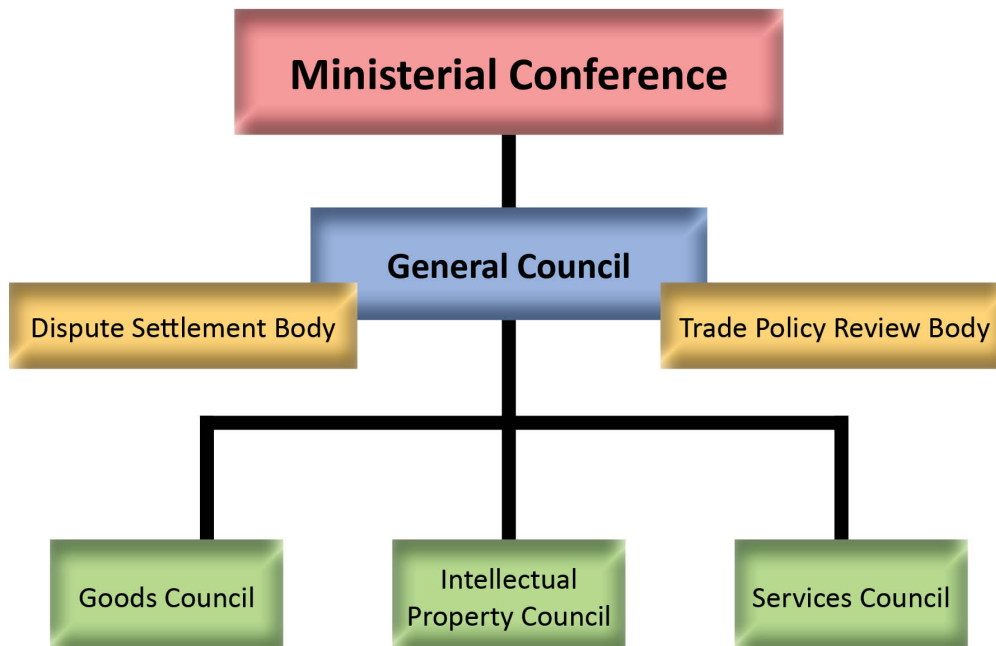
Ngozi Okonjo-Iweala is the **first African official** and the **first woman** to hold the position.

Key Points

- **Origin of WTO:**
 - The WTO is the successor to the **General Agreement on Tariffs and Trade (GATT)**, which was created in 1947.
 - The **Uruguay Round (1986-94)** of the GATT led to the WTO's creation. WTO began operations on 1st January, 1995.
The Agreement Establishing the WTO, commonly known as the **“Marrakesh Agreement”**, was signed in Marrakesh, Morocco in 1994.
- **About:**
 - WTO is an **international organization** dealing with the rules of trade between nations.
 - Main difference between GATT and WTO was that **GATT mostly dealt with trade in goods**, the **WTO and its agreements could not only cover goods but also trade in services and other intellectual properties** like trade creations, designs, and inventions.
 - **Headquarters:** Geneva, Switzerland.
- **Members:**
 - The WTO has **164 members** (including **European Union**) and **23 observer governments** (like Iran, Iraq, Bhutan, Libya etc).
 - **India is a founder member** of the 1947 GATT and its successor, the WTO.

- **Governing Structure:**

Structures of WTO



- **Ministerial Conference:**

-

Structure of the WTO is dominated by its highest authority, the Ministerial Conference, **composed of representatives of all WTO members**, which is required to **meet at least every two years** and which can take decisions on all matters under any of the multilateral trade agreements.

- **General Council:**

It is **composed of all WTO members** and is **required to report to the Ministerial Conference**.

- **Dispute Settlement Body and Trade Policy Review Body:**

General Council convenes in two particular forms:

- **Dispute Settlement Body:** To oversee the dispute settlement procedures.
- **Trade Policy Review Body:** To conduct regular reviews of the trade policies of individual WTO members.

- **Objectives:**

- To set and **enforce rules for international trade**.
- To provide a **forum for negotiating and monitoring** further trade liberalization.
- To **resolve trade disputes**.
- To **increase the transparency** of decision-making processes.
- To **cooperate with other major international economic institutions** involved in global economic management.
- To **help developing countries** benefit fully from the global trading system.

- **Achievements of WTO:**

- **Global Facilitation of Trade:**

- By **building binding rules for global trade** in goods and services, WTO has facilitated dramatic growth in cross-border business activity.
- The WTO has not only **enhanced the value and quantity of trade but has also helped in eradicating trade and non-trade barriers.**

- **Improved Economic Growth:**

- Since 1995, the value of **world trade has nearly quadrupled**, while the **real volume of world trade has expanded by 2.7 times.**
- Domestic reforms and market-opening commitments have resulted in the lasting boost to national income of nations.

- **Increased Global Value Chains:**

The predictable market conditions fostered by the WTO, have combined with improved communications to **enable the rise of global value chains**, trade within these value chains today accounts for almost 70% of total merchandise trade.

- **Upliftment of Poor Countries:**

The least-developed countries receive extra attention in the WTO. All the WTO agreements recognize that they must benefit from the greatest possible flexibility, and **better-off members must make extra efforts to lower import barriers on least-developed countries' exports.**

- **Recent Challenges:**
 - **China's State Capitalism:**
 - China's state-owned enterprises present a major challenge to the free-market global trading system and the rulebook of the WTO is inadequate for addressing these challenges.
 - It is due to this that **USA-China** are also engaged in **Trade war**.
 - **Institutional Issues:**
 - The **Appellate Body's operations have effectively been suspended** since December 2019, as the USA's blocking of appointments has left the body without a quorum of adjudicators needed to hear appeals.
 - The **crisis with the dispute settlement function of the WTO** is closely linked to the breakdown in its negotiation function.
 - **Lack of Transparency:**
 - There is a problem in WTO negotiations as **there is no agreed definition of what constitutes a developed or developing country** at the WTO.
 - Members can currently self-designate as developing countries to receive 'special and differential treatment' – a practice that is the subject of much contention.
 - **E-commerce & Digital Trade:**
 - While the global trade landscape has changed significantly over the past 25 years, WTO rules have not kept pace.
 - In 1998, realizing that **e-commerce** would play a growing role in the global economy, WTO members established a WTO e-commerce moratorium to examine all trade-related issues relating to global electronic commerce.
 - Recently, however, the moratorium has been called into question by developing countries because of its implications for collecting revenue.
 - **Agriculture and Development:**
 - **Agreement on agriculture** is facing issues due to food security and development requirements for developing countries like India.

Way Forward

- Modernizing the WTO will necessitate **the development of a new set of rules** for dealing with digital trade and e-commerce.
- WTO members will also have to **deal more effectively with China's trade policies and practices**, including how to better handle state-owned enterprises and industrial subsidies.
- Given the pressing issues around **climate change**, **increased efforts to align trade and environmental sustainability** could help to both tackle climate change and reinvigorate the WTO.

Source: TH