

THE WORLD TRADE ORGANISATION

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Summary

The World Trade Organisation (WTO) which became operational on 1 January 1995 is the successor to the General Agreement on Tariffs and Trade (GATT). The WTO provides the legal framework for world trade, and it has been given extensive regulatory and supervisory powers. Whereas the GATT was solely concerned with trade liberalization based on tariff concessions, the WTO's approach embraces discussions of domestic policies, institutional practices and regulations. Under the WTO 'new' issues such as services, trade related intellectual property rights, and domestic [non-trade] policies are the subject of trade liberalization, and while maintaining a focus on bargaining over products, it has engineered a shift towards negotiations over policies that shape the conditions of competition, and is attempting to secure policy harmonization in a number of areas. Furthermore, the dispute settlement process in the WTO is much stronger than that in GATT.

The highest decision-making body in the WTO is the Ministerial Meeting which is convened every two years. The political importance of the Ministerial Meeting is shown by the level of representation with many Heads of State or Heads of Government in attendance. In the period between Ministerial Meetings the key decisions are taken by the General Council, composed of all the member states. The General Council is assisted by numerous committees, working groups and working parties. Administration

of the WTO is provided by a 500 strong secretariat based in Geneva. Small by the standards of most international organizations the WTO's secretariat is principally designed to service the needs of its members.

Environmental issues have been on the WTO's agenda from the outset, and the relationship between trade and environment is addressed in various parts of the WTO's organizational structure. Nevertheless, progress in reconciling trade and environment remains contentious and the 'greening' of the WTO a slow process.

1. The Creation of the WTO

The origins of the WTO lie not in the immediate Uruguay Round of multilateral trade negotiations (MTNs) which led to its creation but rather in the attempt to create a framework for international trade and payments following the close of World War II. The institutionalization of world politics saw the creation of the United Nations as successor to the League of Nations in the political arena, a number of functional United Nations agencies and the creation of the World Bank and International Monetary Fund (IMF) to oversee the development of the international economy. The Bretton Woods System is the term used to describe the sets of norms, rules and institutions created by the post-war architects of global economic management. Although only two institutions were created at the Bretton Woods Conference - the World Bank and IMF - the GATT formed the third pillar of post war management.

The post war planners decided to leave the construction of the institutional framework for world trade until the Havana Conference on Trade and Employment in 1948. At the conclusion of this conference the participants decided to create an International Trade Organisation (ITO) to regulate international trade. Prior to the meeting in Havana in March 1948, 23 states anxious to begin the process of postwar trade liberalization met in Geneva in April 1947 and agreed to a limited range of tariff concessions. This meeting resulted in a treaty - the General Agreement on Tariffs and Trade - which was supposed to govern the reduction of barriers to trade until the ITO came into existence. However, the ITO was never ratified by the signatories at the Havana Conference and so never came into existence. In the institutional vacuum GATT became a permanent organization and developed as the chief institutional node of the world trading system. The GATT, moved from its initial status as a temporary tariff cutting instrument to become the main organization for trade negotiations and trade disputes after the Second World War.

The GATT enjoyed uneven success in its quest to reduce trade barriers. It was most successful in tackling barriers to manufactured goods but less so in preventing agricultural protectionism. Although successful in abolishing tariffs on a wide range of manufactured products, increasingly the GATT's ability to further trade liberalization and to manage trade disputes effectively began to be called into question by its membership. The uneven nature of trade liberalization under GATT, the rise of new forms of protectionism in the 1980s, and the weakness of GATT's dispute settlement mechanism led many governments and academics to query its effectiveness as an instrument for trade liberalization. The WTO is the response to this dissatisfaction with the pace and scope of global trade liberalization, and the belief that a weak dispute

settlement mechanism created increased tension in the world trading system and harmed efforts to increase the pace of reform. When the Uruguay Round was convened in 1986 at Punta del Este, Uruguay the Contracting Parties of the GATT were committed to replacing the organization with a new institution. And, the Uruguay Round of trade negotiations from which the WTO emerged appeared to support the necessity of a new, stronger organization. The negotiations dragged on for eight years, stalled on numerous occasions, erupted into acrimonious bickering particularly between the two largest traders, the European Community and the United States, and appeared to be permeated by an air of permanent crisis. The WTO was created to bring greater discipline to the world trading system, and to prevent a repetition of the difficulties faced in the Uruguay Round.

In a number of significant aspects the WTO created by the Marrakech Agreement signed in 1994 transformed the institutional basis of the world trading system. The WTO as the successor to the GATT has been given an expanded competence and greater regulatory powers compared to its predecessor. First, whereas the GATT was solely concerned with trade liberalization based on tariff concessions, under the new regime created by the WTO domestic policies, institutional practices and regulations are also subject to scrutiny. Second, trade liberalization has also been extended to so-called 'new' issues such as services, trade related intellectual property rights, and domestic [non-trade] policies. Third, whereas the GATT restricted negotiations to bargaining over products, under the WTO negotiations are now also concerned with policies that shape the conditions of competition. Fourth, the scope of the WTO has also been expanded compared with GATT through the movement towards policy harmonization e.g., in the areas of subsidies, trade related investment measures, and services. WTO is attempting to secure policy harmonization in a number of areas. The final major difference between the GATT and WTO arises from the strengthened dispute settlement process in the WTO.

Although environmental issues were not an explicit agenda item during the Uruguay Round, the preamble to the Marrakech Agreement establishing the WTO commits the organization to the pursuit of sustainable development. Moreover, the Marrakech Conference decided to create a Committee on Trade and Environment to investigate the linkages between trade and the environment. From its creation the relationship between trade and environment has been a contentious issue within the WTO. The extent to which trade liberalization is compatible with environmental sustainability remains a debatable issue. Some non-governmental organizations (NGOs) and Third World governments remain opposed to the WTO as a suitable venue for discussions on trade-environment issues. And many voices in the trade community question the wisdom of using trade measures to achieve environmental sustainability.

The members of the WTO have to date failed to embark on a new round of multilateral trade negotiations. Although they were pledged to begin a new round in 2000 the Seattle Ministerial Meeting (November-December 1999) at which this new round was meant to be launched ended in failure. The WTO is a very controversial organization with many groups suspicious of or opposed to its agenda of trade liberalization. Efforts to liberalize world trade invoke opposition from domestic groups seeking trade protection, and from social movement activists critical of the impact of freer trade on

national and regional communities. Thus the increased powers and scope of the WTO has brought it into conflict with traditional opponents of free trade and new groups determined to resist its attempts to extend the free trade agenda. Moreover, the extension of 'social justice' issues such as environmental degradation, and labor standards to the international trading system has spurred contentious debates.

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Biographical Sketch

Marc Williams is Professor of International Relations, School of Politics and International Relations, University of New South Wales, Sydney, Australia. He has also taught at the University of Sussex, and the Bologna Center of Johns Hopkins University. He has published books on the Third World in international politics, international economic organizations, and social movements and world politics. His recent publications have focused on global environmental politics, and the political economy of the world trading system.