

WTO Basics

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1. What is WTO?

- (1) Historical background
- (2) Features of the WTO as contrasted to the old GATT
- (3) Organization of the WTO
- (4) Outline of WTO agreements

(1) Historical Background

Predecessor of the WTO – the GATT 1947

The IMF, the World Bank and the ITO

After the abortion of the ITO, the GATT was agreed upon in 1947

The GATT 1947 lasted until the coming into effect of the WTO in 1995

During its life as the GATT 1947, there were eight Rounds (trade negotiation) and the last one was the Uruguay Round

The Uruguay Round (The UR)

Initiated in 1986 and concluded in 1993. In 1994, major countries enacted domestic legislation to implement the UR agreements and on 1 January 1995, the WTO came into being.

(2) Main Features of the WTO

Compared to the GATT 1947, the WTO is a much more comprehensive regime which includes not only rules on trade in goods but also trade in services (the GATS) and intellectual properties (the TRIPS).

Also compared to the GATT 1947, the WTO has a more effective dispute settlement mechanism. This will be explained later.

At present, there are 148 Members of the WTO. Russia, Saudi Arabia and Vietnam and some others are also planning to join the WTO.

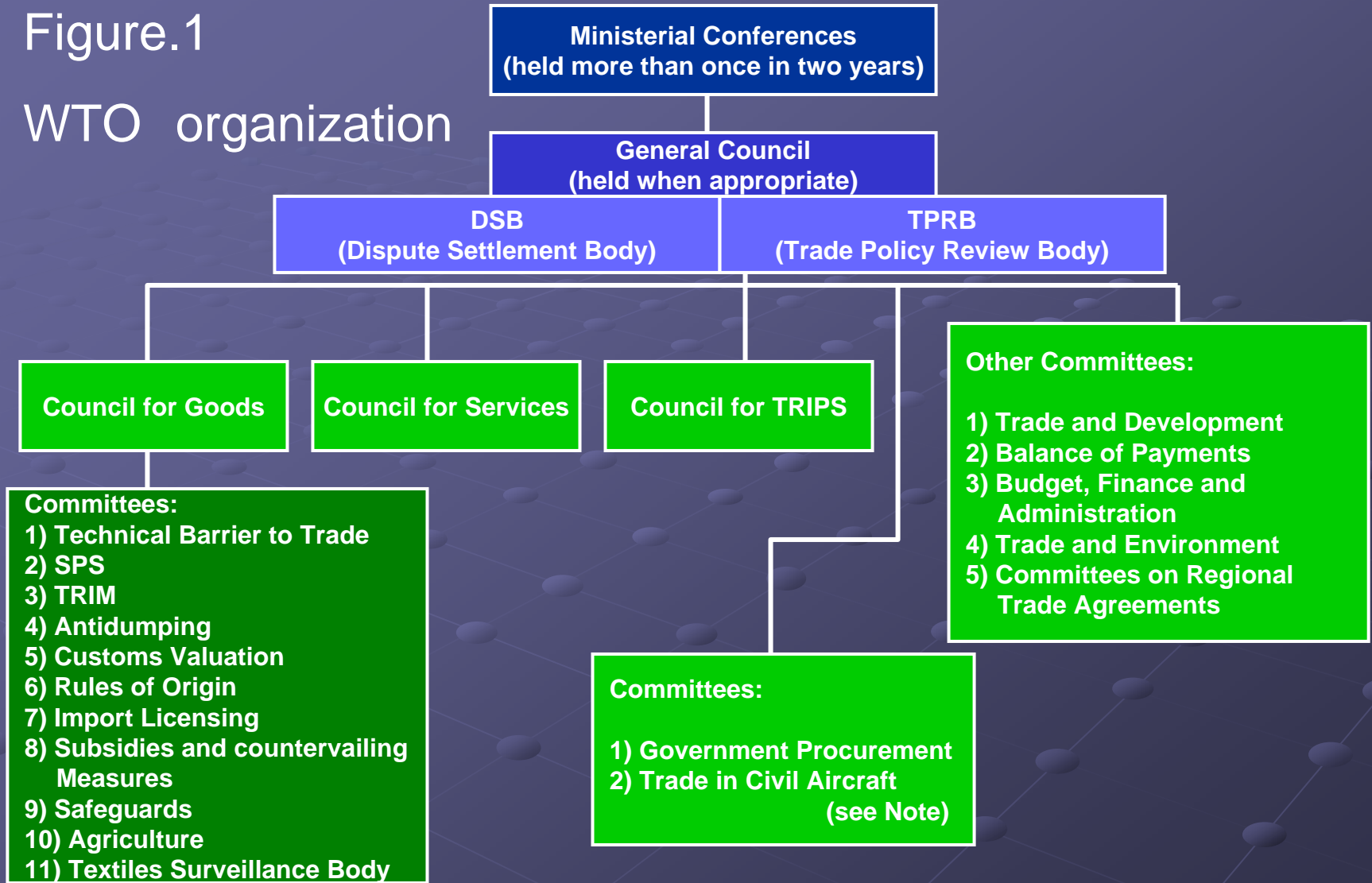
(3) Organization of the WTO -1

The organization of the WTO is shown in Figure 1.
(See Figure 1 WTO Organization)

Ministerial Conference is like the legislature of a state and makes decisions on creating new agreements, amending existing agreements and makes other important policy decisions.

Figure.1

WTO organization



(Note) The International Dairy Council and International Meat Council no longer exist as the International Dairy Agreement and International Bovine Meat Agreement have expired as of the end of 1997.

(3) Organization of the WTO -2

General Council is like the executive or administrative branch of a national government and executes WTO agreements, decisions, declarations and other policies. There are two bodies attached to it, e.g., (a) Dispute Settlement Body (The DSB) and (b) Trade Policy Review Body (The TPRB).

The Secretariat of the WTO consists of about 700 employees. This number is relatively small as compared to other international organizations such as the IMF, the World Bank, and the UN.

(4) Outline of WTO agreements -1

The major components of the WTO agreements are shown in Figure 2 (See Figure 2 WTO Agreement)

When the UR was agreed upon, negotiating parties agreed to adopt a “single undertaking” approach. According to this approach, a Member of the WTO joins the Agreement Establishing the WTO and becomes a Member of all the WTO agreements except for Annex 4 agreements.

Agreement on Trade in Goods (Annex 1A) comprises the GATT 1994 and 12 other agreements, and the provides rules for trade in goods.

Agreement Establishing the WTO

Figure.2 WTO Agreement

- Agreement on Trade in Goods [ANNEX 1A]
 - GATT 1994 (including the contents of the current GATT, rectifications in the Uruguay Round, and the Marakesh Protocol)
 - Agriculture
 - Sanitary and Phytosanitary Measures (SPS)
 - Textiles and Clothing
 - Technical Barriers to Trade (TBT)
 - Trade – Related Investment Measures (TRIMs)
 - Antidumping
 - Custom Valuation
 - Preshipment Inspection (PSI)
 - Rules of Origin
 - Import Licensing Procedures
 - Subsidies and Countervailing Duties
 - Safeguard
- General Agreement on Trade in Services [ANNEX 2]
- Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) [ANNEX 1C]
- Dispute Settlement Understanding [ANNEX 2]
- Trade Policy Review Mechanism [ANNEX 3]
- Plurilateral Trade Agreements [ANNEX 4] (see Note)
 - Agreement on Trade in Civil Aircraft
 - Agreement on Government Procurement

(Note) The International Dairy Council and International Meat Council no longer exist as the International Dairy Agreement and International Bovine Meat Agreement have expired as of the end of 1997.

(4) Outline of WTO agreements -2

Agreement on Trade in Services (Annex 1B, the GATS) provides rules for trade in services.

Agreement on Trade-Related Aspects of Intellectual Property Rights (Annex 1C, the TRIPS) provides for the minimum level of protection of intellectual property rights and enforcement of such rights.

Dispute Settlement Understanding (The DSU, Annex 2) provides the basic rules of procedure for the resolution of disputes under WTO agreements. This will be discussed later.

(4) Outline of WTO agreements -3

In accordance with the Trade Policy Review Mechanism (Annex 3), the TPRB (the Trade Policy Review Body) regularly reviews trade policy of each Member, criticizes it and recommends some improvements.

Plurilateral Trade Agreement (Annex 4) is an exception to the general rule of single undertaking. Members can opt to join or not join. At present, there are two agreements in operation, i.e.,

(a) Agreement on Trade in Civil Aircraft and

(b) Agreement on Government Procurement.