AN EVOLUTION OF WORLD TRADE ORGANISATION

Trade enhances the development. The liberalized trade and trade regime based on multilateral negotiations are equally important for smooth and profitable conduct of trade.

After the great depression and at the end of the Second World War, the Bretton Woods conference was held during July, 1944, where the recommendations were to establish three International Institutions, namely.

- The International Trade Organization (ITO), in order to deal with the problems of international trade.
- The International Bank for Reconstruction and Development (World Bank), in order to deal with the problems of construction and development.
- The International Monetary Fund (IMF), in order to solve the Balance of Payments problems.

The last two institutions came into existence on 27th December, 1995, but the ITO could not be established due to many serious controversies. There were clash of interests among different members. Therefore, this proposal was kept in abeyance and an interim agreement, named General Agreement on Tariffs and Trade (GATT) was established in 1948 in Geneva to pursue the objective of free trade for growth and development of its member countries; by removing or reducing the trade barriers. Some other major objectives of GATT were;

- Raising standard of living
- Ensuring full employment and a lay and steadily growing volume of real income and effective demand.
- Developing the full use of the resources of the world.
- Expansion of production and international trade.

Since its inception, several rounds of negotiations were held under the same platform. But the most important and ambitious was the Uruguay Round. The Uruguay Round of Multilateral Trade Negotiations was launched at Punta del Este in September, 1986 and concluded successfully in Geneva in December, 1993. The Negotiations covered not only traditional GATT subjects such as tariff and non-tariff measures and the improvement of GATT rules and disciplines on subsidies, safeguards etc but also extended to new areas not dealt by GATT earlier like Trade Related Intellectual Property Rights (TRIPS), Trade Related Investment Measures (TRIMs) and Trade in Services.

Finally, an agreement was signed in Marrakesh, Morocco in April, 1994 to pave the way for a multilateral trading system. In order to implement the final act of Uruguay Round Agreement, the World Trade Organization (WTO) came into existence.

THE HAVANA CHARTER

After Bretton Woods conference, based on its recommendations, twenty three countries sent their representatives to attend another conference, which was held in Havana, Cuba, during 1947. In this conference a blueprint called the “Havana Charter’ was worked out which prepared the constitution of an International Trade Organization at par with the constitution of IBRD and IMF. But USA Congress, refused to sign this charter and as an
alternative, it was decided to have a general agreement on a ‘contract’ named as General Agreement on Tariff and Trade. Consequently the member countries were called the ‘contracting parties’. Since then GATT based in Geneva, is engaged in ensuring non-discretionary treatment of trading partners and setting rules intended to counter protectionism.

**THE UNCTAD REGIME**

The developing countries strongly protested against the bias of the GATT favouring the developed nations and demanded that an ITO to be set up. GATT, in particular was informally called as the ‘Richmen’s Club’. The UN appointed a committee in 1963 to consider how best this could be done because of US congress was still likely to veto any new proposal for ITO. Thus Harberler Committee recommended for setting up UNCTAD (United Nations Conference on Trade and Development) as a possible alternative. It was set up in 1964 and became a part of UN secretariat. During the negotiations for setting up UNCTAD, the developing counties established an organization of G-77 (Group of 77 developing countries) which was opposed by some other developed countries and US. Nevertheless the pressure of G-77 made the UNCTAD gain in stature and at one time it appeared as if it might replace the GATT. But the US strongly supported the GATT and it continued to be powerful. The first Secretary General of UNCTAD, Raul Prebisch echoed the view of developing countries that the GATT did not treat the problem of trade as part of their development problem. In response to such critical observations, GATT incorporated Article XXXVI in Part – IV, which legally recognized that countries at different stages of development need to be treated differently. Despite of several amendments, intense criticism and challenges posed to the concept of multilateralism, the
Membership of GATT has increased to 125 countries amounting to 90% of the world trade.

ROUND OF NEGOTIATIONS

The liberalized trade and trade regime bond on multilateral negotiations are important for smooth and profitable conduct of trade.

Since the early 1930’s the belief in the “free trade” as the best route to prosperity has already been gaining ground and nations like USA had entered into bilateral trade agreements with several countries; the idea of a multilateral institution to oversee world trade was an extension of this practice.

The general agreement on tariff and trade has proved a useful body for international tariff bargaining, its articles of agreement pledge its member countries, to the expansion of multilateral trade with the minimum of barriers of trade, reduction in import tariff's and quotas and the abolition of preferential trade agreements. During the period 1947 to 1993 the contracting parties successfully concluded eight rounds of trade negotiations, where the summaries of the eight rounds can be underlined as follows;

i. **First Round** : Havana : The conference, held during 1947, was concluded as the first round of trade negotiation. The 23 founder member countries exchanged tariff cuts for 45,000 products worth a global trade of $ 10 bn.
ii. **Second Round**: Annecy 1949. As many as 13 countries were involved in this round. During the course of these negotiations, custom duties were reduced on 50,000 products, worth global trade of $10bn.

iii. **Third Round**: Torquay 1951: As many as 38 countries participated and agreed for tariff reduction of additional 8,700 products, were conceded.

iv. **Fourth Round**: Geneva 1956: 26 countries participated and decided to further cut import duties for goods worth $2.5 bn. of trade.

v. **Fifth Round**: Geneva (Dillion Round): 1960-61: Common external tariff for the European community (set up in 1958), and cut in custom duties for 4,400 items worth $5 bn. were adopted.

vi. **Sixth Round**: Geneva (Kennedy Round): 1964 – 67: More than 50 nations engaged in international trade participated in these negotiations accounting for over 75% of global trade. It was agreed to cut import tariffs upto 50% for large number of industrial goods worth $40b. The contracting parties also signed a number of other agreements, including the ones on grains, chemical products and anti dumping action.

vii. **Seventh Round**: Geneva (Tokyo Round) 1973 – 79: Around hundred countries took part in the negotiations, to cut custom duties by 20 percent to 30 percent on globally traded goods amounting to $300bn. per annum. Among all the seven rounds of negotiations, the
seventh round was the longest, toughest and the most comprehensive round. Questions on regulating customs valuation procedures, containing subsidies, public procurement and barriers to global trade were dealt with. It included both tariffs and non-tariff measures. The round covered the following ten major issues, among other: (a) Tariff concession, (b) Anti dumping practices, (c) Subsidies and countervailing measures, (d) Licensing (e) Bovine meat (f) Dairy Product and (g) Civil aircrafts.

Eighth Round: Geneva (Uruguay Round): 1986 – 1994: After seven years of intense and procrastinatory deliberations on 14 contentious trade related issues at ministerial meetings, the Uruguay round of multilateral trade negotiations, had finally been concluded with the declaration of Peter Sutherland, Director General, GATT “I have the Uruguay round concluded” on 15th December, 1993. The Uruguay round covering trade in goods, trade in services, TRIPs, TRIMs trade in textile and trade in agricultural commodities were crystallized for adoption and signed by India and other 124 countries at Marrakesh in April, 1994. After intense negotiations, earlier on 20th November, 1992, an euphoric scenario had emerged after the United Stated and the EC signed an agreement shelving their oil seed imbroglio that was commonly known as “Blair House Accord”. The final Uruguay accord is termed as momentous and historic achievement because of its unprecedented deliberations encompassing all areas of trade and investment ever attempted.
RESULTS OF TOKYO ROUND

The Tokyo round was a first try to reform the system; it lasted from 1973 to 1979, with 102 countries particularly. It continued GATT’s efforts to progressively reduce tariffs which phased in over a period of eight years. In other issues, the Tokyo Round had mixed results. It failed to come to grips with the fundamental problems affecting farm trade and also atopped short of providing a modified agreement on “safeguards” like emergency import measures.

☑ Anti Dumping Practices : Article VI of GATT has provided that a country may impose anti dumping duties to protect itself against dumped imports. The Tokyo round of trade negotiations gave a long overdue interpretation to this provision. The contracting parties were permitted to take anti dumping actions for providing protection to the domestic industry, provided all anti dumping laws and rules of the concerned country were notified to the relevant GATT committee and investigation were initiated and completed. The findings of such investigations should be to the satisfaction of the concerned GATT committee. All anti dumping laws can be reviewed by GATT on its own motion.

☑ Government Procurement : An agreement was reached on government procurement. The agreement sought to increase transparency in the laws, regulations, procedures and practices relating to government procurement. It contains detail rules on the way in which tenders could be invited and awarded. The whole idea was to provide equal opportunity to domestic and foreign parties to compete. However, only a few countries signed this agreement. Majorities had reservations and sought
more time to sign and accept this agreement. India was one of such country.

✓ Subsidies and Countervailing Measures: The subsidy code of the GATT provides a mechanism for international surveillance to ensure that the use of subsidies by a signatory does not cause any harm to the trading interests of others. In case it is proved that an exporter is getting undue advantage because of a domestic export subsidies, a countervailing duty can be imposed by the importing country to neutralize any such advantage. It was made compulsory to notify the initiation and results of countervailing actions to the GATT committee on subsidies and countervailing measures.

✓ Tariff Measures: It was agreed to introduce a harmonized commodity description and coding system so that international trade is facilitated in terms of identification of the products. Consequently, all the contracting parties were required to transpose the schedules of tariff concessions into the new nomenclature. These new measures became effective in 1st January, 1988. Waivers and permission to introduce the new system with effect from a later date were granted in genuine cases.

✓ Technical Barriers to Trade: It was agreed that procedures and system relating to standards, testing and certification of products did not create unnecessary barriers to trade. Concrete shape was given to these initial agreements in the eighth round.
✓ Import Licensing: There was an agreement on import licensing. Its objective was to ensure that import-licensing procedures and to administer them in a neutral and non-discriminatory way.

✓ Customs Valuation: The agreement on the implementation of article VIII of the GATT, known as the custom valuation code, sought to replace the many different national valuation systems prevailing at the time of Tokyo round with a set of straightforward rules which provide a fair, uniform and neutral system of valuation and preclude the use of arbitrary or factious values. The agreement provided greater precision to the provisions on customs valuation already found in GATT and has led to widespread harmonization of valuation systems along with much increased predictability in duties payable by the traders.

✓ Civil Aircrafts: The Tokyo round proved a “boom” for the development and promotion of the civil – aircraft industry. There was an agreement to eliminate import duties on civil – aircraft and the bulk of aircraft parts. It may be pointed out that this agreement helped only a few developed countries manufacturing in the civil aircrafts.

✓ Dairy Products: In the field of agricultural products, the Tokyo round of trade negotiations arrived at two significant agreements, viz, the arrangement regarding bovine meat and the international diary arrangements. Both these agreements aimed at expansion and liberalization of world trade in meat,
livestock and dairy products. Both these agreements came into force on 1\textsuperscript{st} January, 1980.

THE URUGUAY ROUND

The eighth round of trade negotiations had begun at Punte del Este, Uruguay in September, 1986 and concluded successfully in Geneva in December, 1993. There were doubts about the prospect of this round. The major reasons for deadlock were the intricacies of the problem arising out of the new areas that included for the first time in the forum of multilateral trade negotiations, lack of consensus among the contracting parties in any contentious issue and belligerent attitude of the EC and the US in question of agricultural subsidies being granted by the E.C. to its farmers under the common agricultural program (CAP), since mid sixties. The Uruguay round of talks mainly covered GATT rules, disciplines on subsidies and safeguards, trade in services and trade related investment measure, trade related intellectual property rights etc. and more specifically the following areas:

1) Tariffs, 2) Non-tariff measures, 3) Tropical products, 4) National resources based products, 5) Textile’s and Clothing’s, 6) Agriculture, 7) GATT articles, 8) Safeguards, 9) Multilateral trade negotiations and arrangements, 10) Subsidies and countervailing measures, 11) Dispute settlements, 12) Trade related aspects of intellectual property rights, 13) Trade related investment measures, 14) Functioning of GATT systems and 15) Negotiations in trade in services.

WORLD TRADE ORGANISATION (WTO)

In order to implement the final act of Uruguay Round Agreement, the World Trade Organization (WTO) came into existence on 1st January, 1995. As explained earlier, the idea of such organization had been mooted at the Bretton Woods conference. However, the US congress did not ratify its formal structure, which meant to govern the world trade. Instead it favored an adhoc arrangement like GATT and hence the continuation of GATT. The upgradation of GATT into WTO is considered as the Harbinger of a new world economic order. This step tried to encourage greater transparency in national trade policy making for achieving greater coherence in global economic policy making. The world trade organization was headed by a ministerial conference.

The evolution of World Trade Organization, which reiterates the objectives of GATT, took place a rule-based worldwide system of multilateral trading. At its heart are the WTO agreements, negotiated and signed by the bulk of the world’s trading nations and ratified in their parliaments. The goal is...
to help producers of goods and services, exporters and importers conduct their business.

The WTO marks the establishment of a legal and institutional base for international trade that had been previously absent under GATT; a contractual framework within which governments could formulate domestic trade policy; and the platform upon which trading relations among countries could evolve through collective debate, negotiations and adjudication. The structure of WTO is shown in Fig. 1 & 2.

**Fig. 1.**

**Head:** Director – General

**Membership:** 150 Countries

**Location:** Geneva
Key

- Reporting to General Council (or a subsidiary)
- Reporting to Dispute Settlement Body

Plurilateral committees inform the General Council or Goods Council of their activities, although these agreements are not signed by all WTO members

Trade Negotiations Committee reports to General Council

Fig. 2. (Structure of WTO)
The key role of WTO is to ensure that the trade flows smoothly.

Predictably freely is possible; while its objectives are

- To administer the WTO trade agreement.
- To provide a forum for trade negotiations.
- To handle trade disputes.
- To monitor national trade policies.
- To provide technical assistance and training for developing countries.
- To co-operate with other international organizations like IMF, IBRD etc.

THE GLOBALISATION REGIME

The philosophy behind globalization is to achieve higher economic growth through foreign trade. There is worldwide economic movement for LPG: liberalization, privatization, globalization. It is based upon the philosophy of multilateralism and international interdependence. The policy of
free market and free-trade have now become the global phenomenon and order of the day. This doctrine of development and economic growth has gained the academy approval of the professional therapist working at the inner sanctums of Yale and Harvard. The structural adjustment program designed at the behest of World Bank is a multi faceted, multi objective and multi instrument programme, which spreads the message of over optimism of instant change. There is the need for establishing a new international economic order (NIEO) by reducing north-south hiatus through north-south negotiations. As international trade tensions grew in the eighties an increasing number of countries began to circumvent GATT rules. GATT became relatively powerless in eighties. This tend to affect the developing countries adversely as they were more susceptible to bilateral arm-twisting. The onslaught on GATT has also been reflected in the onslaught against the doctrine of free trade. In the eighties a group of economists challenged the classical argument in favour of free trade. The classical paradigm pinpointed the gains that could be derived from free trade. One of the exceptions was the optimum tariff argument whereby, a large country might be capable of improving its terms of trade through the imposition of an optimum tariff. Other exceptions are infant industry protection and market failure due to externalities. The new theories do not contradict the cost of interventionist trade policy. But they extend the exceptions of classical trade theory and contend that if the exceptions became general enough so that markers are imperfect, the benefits of trade intervention might more than compensate the cost. Many governments lack the available information, which can make strategic trade policy a feasible option. There is also the point that strategic trade is articulated in the absence of potential retaliation by the partner country. Be that as it may the fact remains that increasing protectionism has found an ally in the economic theory of managed international trade. Liberalisation through GATT has always emphasized reciprocity. This is the
quid pro quo approach. The beneficiaries of protection are clearly inefficient producers and losers from the protection are the consumers. The welfare economist argue that loses to consumers are far more than gain to producers; therefore the country as a whole loses through protection, but protection flourishes producers tend to be large and close knit lobbies while individual consumers tend to be small and widely defused. Therefore, if liberalization does not proceed the interest of the consumers’ are unprotected resulting in the loss of social welfare.

New economic reforms and structural adjustment programmes involve a shift towards export promotion and outward orientation and away from import substitution and inward orientation. This reforms stem largely from the recognition that outward oriented economies have gained more from the expansion in world trade. Without entering into the debate on relative merits of these two strategies, it is sufficed to point out that export promotion warrants a continued existence of multilateral trading system for its success. Paradoxically developing countries have become more actively interested in trade agreements negotiated through GATT and several developed courtiers have tendency to maintain protectionism. With the failure of Uruguay Round, the continuation of multilateral trading system would have been at stake.

Later on, in the Ministerial Conference at Doha, India played a proactive role in the deliberations. India preferred genuine resolution of implementation related concerns, increased market access in agriculture, sufficient flexibility and clarify under TRIPS for public health policies and strongly opposed the introduction of non-trade issues like labour in the agenda. It was able to ensure adoption of an agenda that emphasized not
only trade but also the development goals and priorities of developing countries.

The following are some of the outcome of the Doha Conference and its Declaration:

The Doha Declaration; comprising of a main declaration, a declaration on TRIPS Agreement and Public Health and a decision on Implementation related issues and concerns-launches the future work programme of the WTO and includes elaboration and timetables for the current negotiations in agriculture and services and negotiations / possible negotiation in a range of other issues.

Implementation Issues: A number of implementation issues have been addressed in the Decision on implementation related issues and concerns including longer time frame (of six months) for compliance with new SPS and TBT measures, moratorium of two years of non-violation complaints under the TRIPS Agreement, need for special care of initiation of back to back antidumping investigations within a year and co-operation and assistance by members in investigations relating to declared values. The declaration agrees that negotiations on all other outstanding implementation issues shall be an integral part of the work programme. Where specific negotiations issues shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the Trade Negotiating Committee by the end of 2002 for appropriate action.
Agriculture: The Declaration commits to comprehensive negotiations aimed at: substantial improvements in market access for developing countries; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade distorting domestic support being given by the developed countries. It also takes note of non trade concerns of developing countries and their development needs including food security and rural development. Special and differential treatment for developing countries would be an integral part of the negotiations.

Services: The Negotiating Guidelines and Procedures adopted by the Council for Trade in Services would form the basis for continuing negotiations in Services with a view to achieving the objectives of GATS. The declaration recognizes the large number of proposals submitted by the members on various sectors including on movement of natural persons.

Industrial Tariffs: The negotiations under industrial tariffs would aim at reducing or as appropriate eliminating tariffs, including the reduction of tariff peaks, high tariff and tariff escalations, as well as non tariff barriers, in particular on product of export interest to developing countries. Product coverage shall be comprehensive and without a prior exclusions with negotiations taking into account the needs and interests of the developing countries including through less than full reciprocity in reduction commitments.

TRIPS : The Work programme mandates negotiations on establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the 5th session of the Ministerial Conference. The issues related to extension of the higher level of
protection of geographical indications to products other than wines and spirits, examination of relationship between the TRIPS Agreement and the Convention on Biological Diversity (CBD), the protection of traditional knowledge and folklore and other relevant new developments would be addressed by the TRIPS Council as part of the Implementation issues. Further, the Declaration on TRIPS and Public Health is one of the most significant outcomes of Doha Conference. It recognizes that the TRIPS Agreement can and should be interpreted and implemented in a manner supporting of WTO members’ right to protect public health and to promote access to medicines for all.

WTO Rules : The Declaration mandates negotiations aimed at clarifying and improving disciplines under the Agreement on Implementation and Subsidies and Countervailing Measures while preserving the basic concepts, principles and effectiveness of these Agreements and taking into account the needs of developing countries. It also includes negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreement (keeping into view the developmental aspects of these Agreements). Negotiations are further mandated on improvements and clarifications of the Dispute Settlement Understanding. Addressing outstanding implementation issues on these subjects would be an integral part of these negotiations.

Special and Differential Treatment (S&D) : The negotiations shall fully take into account the principle of special and differential treatment for developing countries. It has also been agreed to review all special and differential treatment provisions with a view to strengthening them and making them more precise, effective and operational.
Electronic Commerce: The Work Programme declares that Members will maintain their current practice of not imposing customs duties on electronic transmission until the Fifth Ministerial Session.

Singapore Issues: The issues relating to Trade and Investment, interaction between Trade and Completion, Transparency in Government Procurement and Trade Facilitation will continue to be pursued in the Working Group Study process. Negotiation on these subjects, according to the Work Programme, will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations.

Environment: Negotiations on limited aspects of trade and environment (relationship between existing WTO rules and specific trade obligations set out in Multilateral Environmental Agreements, procedures for regular information exchange between MEA and WTO and reduction/elimination of tariff and non tariff barriers to environmental goods and services) has been mandated, along with instructions to the Committee on Trade and Environment to pursue its work on all items on its agenda, giving particular attention to the issue of market access, the relevant provisions of the TRIPS Agreement and labeling.

Labour: The Declaration recognizes that ILO is the appropriate forum to address the issue of core labour standards.
Working Groups: The Work Programme has also set up two Working Groups. One to examine the relationship between Trade, Debt and Finance for suggesting solutions, within the WTO mandate, to the problem of external indebtedness of developing countries and the strengthen the coherence of international trade and financial policies, with a vies to safeguarding the multilateral trading system from the effects of financial and monetary instability. The other Working Group will examine the relationship between Trade and transfer of Technology and to facilitate, within the WTO mandate, increased flow of technology to developing countries.

Negotiations under the Work Programme are to be concluded not later that 1 January, 2005 (except negotiation on improving and clarifying the Dispute Settlement Understanding which is to be concluded by end of May 2003). The conduct, conclusion and entry into force of the outcome of negotiations will be treated as parts of a single undertaking (except for DSU). The overall conduct of the negotiations is to be supervised by a Trade Negotiations Committee under the authority of the General Council.

India along with other developing countries, maintained a continuous pressure for resolution of implementation related issues relating to several perceived asymmetries and imbalances in existing WTO Agreements and also for effective operationalisation of various special and differential treatment provision for developing countries. Ultimately this pressure yielded some results and at the conclusion of the Conference, the Ministers finally adopted a decision on implementation related concerns. Accordingly, out of the total of 102 issues considered, the Doha Conference finally took decisions on 43 issues. The remaining issues have been referred either to negotiations or to subsidiary bodies for further examination of the problems and thus are an integral part of the Work Programme of the WTO.