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The World Trade Organization at 20

Overview

The World Trade Organization (WTO) was established on January 1, 1995, following the ratification of the Uruguay Round Agreements (URA). It succeeded the General Agreement on Tariffs and Trade (GATT), which was created in 1947 as a part of the post-WWII effort to build a stable, open international economic framework. The WTO undertakes three basic functions: (1) administers existing agreements; (2) serves as a negotiating forum for new trade liberalization; and (3) provides a mechanism to settle trade disputes among the parties.

WTO agreements cover goods, services and agricultural trade, remove tariff and nontariff barriers, and establish disciplines on government practices that directly relate to trade—for example, trade remedies, technical barriers to trade, customs valuation, intellectual property rights, and government procurement. The WTO agreements are based on the principles of nondiscrimination, national treatment among countries, and transparency of trade rules and regulations. Some exceptions, however, such as preferential treatment for developing countries and regional and bilateral free trade agreements (RTAs), are allowed.

The Doha Round

The Doha Development Agenda “round” of multilateral trade negotiations was launched in November 2001. The negotiations have been characterized by persistent differences among the United States, the European Union (EU), and developing countries on major issues, such as agriculture, industrial tariffs and nontariff barriers, services, and trade remedies. For example, developing countries (including emerging economic powerhouses such as China, Brazil, and India) have sought the reduction of agriculture tariffs and subsidies among developed countries, nonreciprocal market access for manufacturing sectors, and protection for their services industries. In contrast, the United States, the EU, and other developed countries have sought commercially meaningful access to developing countries’ industrial and services sectors while attempting to retain some measure of protection for their agricultural sectors. The growing clout of developing countries—which played a peripheral role in the early days of the GATT—as well as the increasing complexity of the negotiations, have contributed to the stalemate.

The Bali Ministerial

The Bali package, an agreement reached at the WTO Ministerial in December 2013, consists of new commitments on trade facilitation, agriculture, and development that were agreed by the Members.

Trade Facilitation Agreement (TFA)

One of the new commitments, the TFA, aims to remove customs obstacles at the border. Its provisions:

- Establish “single window” procedures for accepting trade documentation;
- Require expedited release of goods into air cargo facilities;
- Institute trusted trader programs for screened operators;
- Provide for pre-clearance customs procedures and post-clearance audit procedures;
- Establish electronic payment for customs duties and advanced rulings for tariff classifications; and
- Mandate binding commitments for countries implementing reforms and countries providing trade capacity building.

Countries are to decide whether each commitment is to be implemented upon the agreement’s entry into force; within a set time period after the entry into force; or implemented subject to the provision of technical assistance by developed countries and, where possible, advanced developing countries. Members were required to begin the ratification process by notifying the WTO by July 31 of the trade facilitation commitments they plan to implement upon entry into force, with other commitments to follow. However, the future of the agreement was thrown into doubt when India blocked this process from beginning due to its desire to protect its food security subsidy programs from WTO scrutiny. Subsequently, in November 2014, the United States and India negotiated a compromise creating a “peace clause” to protect these programs from challenge pending negotiations on their future while allowing the overall agreement to be implemented.

“We have put the world back in the World Trade Organization.” Roberto Azevêdo, WTO Director General, December 7, 2013.

Agriculture and Development

The agriculture and developmental aspects of the Bali agreements contain more hortatory commitments. These include a temporary peace clause for a developing country’s purchases of commodities for food-security stockholding programs—which, to some, represents a backtracking from previous Uruguay Round commitments; a reaffirmation to eliminate export subsidies as part of the Doha Round;

commitment to a successful outcome in cotton negotiations with least-developed countries (LDCs); a renewed pledge to improve duty-free, quota-free (DFQF) market access for LDCs; the adoption of simplified rules-of-origin for preference programs; and a services waiver for service exports from LDCs.

negotiations for an Environmental Goods Agreement (EGA) were announced in January 2014 by 14 countries, including the United States and China, representing 86% of global trade in such goods. The talks are expected to be handled as an open plurilateral, i.e., the agreed tariff reduction or elimination would be applied on a most-favored-nation (MFN) basis to all WTO members, similar to the ITA

Figure 1. GATT/WTO Rounds

Year	Name	Subjects covered	Countries
1947-1961	Geneva, Annecy, Torquay, Geneva II, Dillon	5 Rounds of tariff reductions	23 (1947); 26 (1961)
1964-1967	Kennedy	Tariffs and anti-dumping measures	62
1973-1979	Tokyo	Tariffs, anti-dumping, subsidies, technical barriers to trade, government procurement	102
1986-1994	Uruguay	Tariffs, nontariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, WTO institution	123
2001-	Doha Development Agenda	Tariffs, nontariff measures, agriculture, services, trade facilitation, trade remedies, and development	142 (2001); 160 (current)

Source: WTO.

Future Challenges

The successful conclusion of the Bali Ministerial has infused new life into the Doha Round agenda. In Bali, Ministers committed to revise their work program in 2014 to bring the negotiations to a conclusion. However, the WTO continues to face several challenges to its effective stewardship of the global trading system.

The Doha Round. After 13 years, many intractable issues remain unresolved. While developing countries remain focused squarely on agriculture, developed countries have linked ambition in agriculture to reciprocal ambition in industrial tariffs and services liberalization, especially for advanced emerging market economies. These divisions have called into question the viability of the “single undertaking” (one package) type of negotiation and the need for institutional reform.

Dispute Settlement. The dispute settlement (DS) system is considered a success of the existing WTO system. Some are concerned about the continued legitimacy of the DS system if no further WTO agreements are reached.

Figure 2. WTO Dispute Settlement

Total cases filed	479
U.S. as Complainant	107
U.S. as Respondent	121
U.S. as Third Party	114

Source: WTO.

Other Initiatives

Aside from the agreements reached at the Bali Ministerial, several other initiatives are taking place within and around the WTO. These include a new Government Procurement Agreement and plurilateral negotiations on:

- Expanded product coverage subject to tariff-free treatment in the 1996 Information Technology Agreement (ITA). The impasse over China’s request for extensive exclusion of some goods from tariff cuts, and long phase-out periods for others, was tentatively resolved by bilateral U.S.-China consultations during the 2014 Asia-Pacific Economic Conference (APEC) summit in Beijing.
- A Trade in Services Agreement (TISA). Launched in April 2013 among 23 countries, including the EU, it seeks to expand commitments to the WTO General Agreement on Trade in Services (GATS). While this negotiation is not presently being conducted under the auspices of the WTO, it may be incorporated into it in the future. China has expressed interest in joining the TISA negotiations, but the United States has sought preconditions on China’s membership to assure an ambitious outcome.
- Tariff elimination for environmental goods. Contemplated in the Doha Round for several years, new

Regional Trade Agreements. RTAs have proliferated in recent years. They have the advantage of willing participants, common goals, and the potential to negotiate more comprehensive liberalization. They may serve as trailblazers for talks on new issues and potentially could be linked up with the WTO system in the future. At present, though, they call into question the role of the WTO in negotiating new trade liberalization.

New Issues. Since the launch of Doha Round 2001, new issues, such as digital trade (data flows, cybertheft, and trade secrets), state-owned enterprises, new nontariff barriers, global supply chains, and the relationship between trade and environment rules are new challenges to the trading system. Some fear the WTO is falling behind, while these issues are being left to plurilateral or regional FTAs.

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