

FROM BRETTON WOODS TO WTO

- **GATT- General Agreement on Trade and Tariff, 1944.**
- GATT was an outcome of **Bretton Woods Conference**. Bretton Woods is a city located in Hampshire State of US. Three organisations were result of this conference:
 - (1)GATT
 - (2)IMF
 - (3)IBRD- International Bank of Reconstruction and Development
- Collectively called Bretton Woods Institutions.

BRETTON WOODS CONFERENCE

BACKGROUND

- After 1930's, Europe and US were facing the problem of economic recession.
- 1930's onwards socialist economy was progressing very rapidly, going like a rocket.
- After end of World War-1 and during World War-2, British and French economy was in critical condition on the verge of collapse.
- US was looking for countering the socialist economy. US said that the reason economic recession onward was because countries preferred protectionist policies-high rate of tariff for protecting economy.
- In this context, the conference was held. The US held Bretton Woods Conference for the purpose of **promoting multi-lateral trade in the world.**

- So objective of GATT was to **promote of multi-lateral trade** and not just bilateral one. Tariff states were considered as the main obstacles in multi-lateral trade.
- Thus, GATT was set up to promote multi-lateral trade by reducing the high rates of tariff.
- So it was presumed that a reduction in tariff rates would automatically promote trade. Also initially GATT was concerned only with trade in goods.
- GATT came into existence after World War-2. during this time world was divided into capitalist bloc and socialist bloc. The socialist block didn't join GATT as they thought that it promotes a capitalist economy on a global scale.

NATURE OF GATT

- **GATT was not an institution, it was a conference. GATT is thus included into conference diplomacy. Initially 44 countries participated and all decisions were taken on the basis of consensus.**

PRINCIPLES OF GATT

- **GATT believed in the principle of non-discrimination and equal treatment. This is popularly known as “Most Favoured Nations Status”.**

APPROACH OF GLOBAL SOUTH

- GATT believed in the concept of equal treatment. However, developing countries gained independence in only 1945. they were not capable of competing against developed countries in which industrial development had taken place 200 years back. Thus, they objected against equal treatment and demanded for Preferential Treatment in terms of tariff.
- India was also a founding father of GATT. However, members of GATT were liberal nations like US, UK etc which believed in the principle of **Comparative Advantage** which means free trade is beneficial for each and every nation.

PROGRESS AND PROBLEMS

- Progress was remarkable as in different rounds of talks of GATT, tariff rates reduced drastically.
- However, in 1970's, after the emergence of Germany and Japan as strong economic powers, the situation underwent a change. Also trade in services increased rapidly. US was the only superpower economically in the world since 1945 and it gave economic aid to Western European countries in its Marshall Plan. However, after this resurgence, these countries preferred **protectionist policies**:
- **High Rate of Tariff**
- **Quota**
- **Subsidy**
- Quota is quantitative restrictions over imported items. Subsidy means state help for indigenous industry like subsidised electricity, diesel etc.
- So, the problem with GATT is that non-tariff measures were not a part of GATT. So even with reduction of tariff, multi-lateral trade did not increase. It in fact was discouraged due to non-tariff measures.

WORLD TRADE ORGANISATION

STRUCTURE

- The WTO has **164 members** and **24 observer governments**.
- The highest decision making body in WTO is **Conference of Commerce Ministers** which happens once in every 2 years.
- **Trade Policy Review Committee**- encroachment of international organisation on economic sovereignty of nation states- changing nature of world politics.
- **Dispute Settlement Committee**- patent disputes.
- There are several councils which discuss issues like TRIPS, agriculture, service.
- Thus, WTO is an institution with a well-organised structure. All decisions of WTO are taken by democratic methods wherein each member can cast one vote.
- There was no dispute settlement mechanism in GATT. So WTO includes this too.

OBJECTIVES

- Promoting multi-lateral trade.
- Resolving trade disputes.
- Strengthening or furthering sustainable development.

PRINCIPLES

- Non-discrimination.
- Equal treatment.
- Most Favoured Nation Status.
- Safety Value Mechanism- if any country is facing economic crisis then it can violate WTO principles.

VIEW OF GLOBAL SOUTH

- The Dispute Settlement Mechanism is based in Switzerland. So litigation cost of developing countries is high. Even after a verdict, nobody can enforce its decisions on the economic superpowers.
- Voting never takes place although it is formally provided. All decisions are influenced by rich and advanced nations.
- So WTO is not very receptive and sensitive to developing countries.

ROUNDS OF WTO

SINGAPORE ISSUES

- Ministerial Conference took place in Singapore in 1996 and issues which were raised in Singapore Conference are known as Singapore issues.
Issues raised by Developed World:
- **Transparency in Government Procurement.**
- **Trade facilitation (customs issues).**
- **Investment Related Measures.**
- **Competition Policies.**
- In a nutshell, they demanded for opening and liberalising of economies of developing countries.

SEATTLE ROUND

- In 1999, the Seattle Ministerial Conference was opposed by NGO's and Civil Society. They claimed that the entire process of globalisation is beneficial for the corporate houses. It is neither beneficial for the developing countries nor for the developed world.
- Environmentalist also opposed free trade and multi-lateral trade. They said that consumerism is an enemy of environment and WTO is promoting consumerism in the world.
- Developed countries claimed that free trade will hamper employment in the developed countries.
- Thus, **this round of talks collapsed.**

DOHA DEVELOPMENTAL ROUND

- In **2001**, a new notion was introduced in the Doha Developmental Round. It is called Doha Developmental Round and not Trade Round because it was said that multi-lateral trade and Free trade will promote economic development across the world. It is not merely trade but it will enhance social development too.
- Doha Development Round was initiated in 2001 but **it is still not finalised**.
- Issues raised in Doha Development Round:
Issue of Agriculture:
- Only 4% population of developed world is engaged in agriculture for their livelihood whereas approx 50% population of developing countries is dependent on agriculture for their livelihood.

Issue of Service Sector:

- According to WTO, there are 4 modes of service:
- **Mode-1:** Trade of services related to outsourcing. Here developing countries have an upper hand due to cheap labour.
- **Mode-2:** Tourism and medical Tourism, Hotel, Health Sector etc. here developed countries have better infrastructure, technology, finance etc.
- **Mode-3:** Institutions are set up for promoting/exporting services like SBI, LIC etc. Here also developed countries dominate.
- **Mode-4:** Free flow of Natural Persons.
- Developed countries are not allowing free flow of natural resources and they are tightening Visa rules. Again, we are demanding for **Inclusive Globalisation.**

Non-Agricultural Market Access (NAMA):

- NAMA means market access in terms of industrial product. Developed countries are demanding for opening up markets of developing countries whereas developing countries want to protect their domestic industries.
- Recently, developed countries in Bali Ministerial Conference have proposed the **Trade Facilitation Agreement (TFA)**.
- **Differential or Preferential Treatment:**
- WTO agreed to provide preferential treatment for the Least Developed Countries (LDC) that was reiterated in the Bali and Nairobi Conference too.
- Preferential Treatment means all countries will levy zero tariff over the exported items of LDC's.

PROTECTIONISM AMERICA FIRST AND WTO

- WTO believes in multi-lateral trading which requires free trade. But USA is adopting America First policy which goes against the objective of WTO.
- USA and China are the two biggest economies of the world involve in trade war, which is adversely affecting multi-lateral trading system.
- WTO allow regional economic organisation for promotion of multi-lateral trade but BRIXIT casting a shadow over WTO.

CONTEMPORARY CHALLENGES FOR WTO

- **Special and differential treatment** for developing countries like **India** will figure prominently in the **WTO's 12th Ministerial Conference** meet in **June** in **Kazakhstan**.
- USA wants the formulation of some guidelines that countries with high economic growth are prevented from taking benefits of special and differential treatment (S&DT), which is meant for developing and poor nations.
- **Global South** is raising their voice against **e-commerce**.

BIGGEST THREATS TO WTO

RULES UNDERMINED

- The unilateral tariffs threatened by the US and China don't adhere to the WTO's established procedures.

REASONS TO GO ROGUE

- The WTO is facing an influx of disputes from countries using national security as a justification for tariffs.

HEARINGS MAY BE PARALYZED

- Since August 2017 the US has blocked nominees to the WTO's appellate body- a key forum for mediating disputes- saying it has overstepped its mandate.

MARKET ECONOMY DISPUTE

- China says the US and the EU are violating WTO rules by continuing to treat it as a non-market economy in anti-dumping investigations.

FAILED NEGOTIATIONS

- Countries are pushing piecemeal accords centered on sectoral issues like e-commerce or investment. It underlines the sense that the WTO's broader negotiating agenda is mired in disagreement.