Trading into the Future:
INTRODUCTION TO THE WTO

Overview: A navigational guide

The WTO agreements cover goods, services and intellectual property. They spell out the principles of liberalization, and the permitted exceptions. They include individual countries' commitments to lower customs tariffs and other trade barriers, and to open and keep open services markets. They set procedures for settling disputes. They prescribe special treatment for developing countries. They require governments to make their trade policies transparent. And they share a common three-part structure.

Tariffs: more bindings and closer to zero

The bulkiest result of Uruguay Round are the 22,500 pages listing individual countries' commitments on specific categories of goods and services. These include commitments to cut and "bind" their customs duty rates on imports of goods. In some cases, tariffs are being cut to zero — with zero rates also committed in the 1997 agreement on information technology products. There is also a significant increase in the number of "bound" tariffs — duty rates that are committed in the WTO and are difficult to raise.

Agriculture: fairer markets for farmers

The original GATT did apply to agricultural trade, but it contained loopholes. For example, it allowed countries to use some non-tariff measures such as import quotas, and to subsidize. Agricultural trade became highly distorted, especially with the use of export subsidies which would not normally have been allowed for industrial products. The Uruguay Round agreement is a significant first step towards order, fair competition and a less distorted sector. It is being implemented over a six year period (10 years for developing countries), that began in 1995. Participants have agreed to initiate negotiations for continuing the reform process one year before the end of the implementation period. The negotiations are now underway.

Textiles: back in the mainstream

Textiles, like agriculture, is one of the hardest-fought issues in the WTO, as it was in the former GATT system. It is now going through fundamental change under a 10-year schedule agreed in the Uruguay Round. Among the changes: the
system of import quotas that has dominated the trade since the early 1960s is being phased out as products are brought under GATT rules in four steps.

Services: rules for growth and investment

The General Agreement on Trade in Services (GATS) is the first ever set of multilateral, legally-enforceable rules covering international trade in services. GATS operates on three levels: the main text containing general principles and obligations; annexes dealing with rules for specific sectors; individual countries’ specific commitments to provide access to their markets. GATS also has a fourth element: lists showing where countries are temporarily not applying the “most-favoured-nation” principle of non-discrimination. These commitments — like tariff schedules under GATT — are an integral part of the agreement. So are the temporary withdrawals of most-favoured-nation treatment. Negotiations on commitments in four sectors have taken place after the Uruguay Round. A full new services round started, as required in GATS, in 2000.

Intellectual property: protection and enforcement

The Uruguay Round brought intellectual property rights — copyrights, trademarks, patents, etc — into the GATT-WTO system for the first time. This is an increasingly important part of trade. The new agreement tackles five broad issues: how the trading system’s principles should be applied to intellectual property rights, how best to protect intellectual property rights, how to enforce the protection, how to settle disputes, and what should happen while the system is gradually being introduced.

Anti-dumping, subsidies, safeguards: contingencies, etc

Binding tariffs, and applying them equally to all trading partners (MFN) are key to the smooth flow of trade in goods. The WTO agreements uphold the principles, but they also allow the principles to be broken — in some circumstances. Three issues are important:

- action taken against dumping (selling unfairly at a low price)
- subsidies and special “countervailing” duties to offset the subsidies
- emergency trade restrictions designed to “safeguard” domestic industries.

Non-tariff barriers: technicalities, red tape, etc

Finally, a number of agreements deal with various technical, bureaucratic or legal issues that could involve hindrances to trade.
• technical regulations and standards
• import licensing
• rules for the valuation of goods at customs
• preshipment inspection: further checks on imports
• rules of origin: made in where?
• investment measures

For the specialists: the plurilateral agreements

Two agreements remain signed by only a few WTO members. They are called “plurilateral”:
• civil aircraft
• government procurement
The dairy and bovine meat agreements were terminated at the end of 1997

Trade policy reviews: transparency and feedback

The WTO conducts regular reviews of individual countries’ trade policies — the trade policy reviews. This is partly to ensure that individuals and companies involved in trade face transparent regulations and policies. The importance of the process can be seen from the seniority of the Trade Policy Review Body — it’s the WTO General Council in another guise.