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THE WTO
A NEW ORGANIZATION FOR A NEW ERA

"The WTO binds nations in a global cooperative endeavour to raise incomes and create good jobs through fair and open trade" - Peter Sutherland, Director-General of GATT.

The World Trade Organization (WTO) will be established on 1 January 1995. It will take charge of administering the new global trade rules, agreed in the Uruguay Round, which will take effect on the same day. These rules - achieved after seven years of negotiations among more than 120 countries - establish the rule of law in international trade, which for goods and services together are estimated to have approached some $5 trillion this year. Through the WTO agreements and market access commitments, world income is expected to rise by over $500 billion annually by the year 2005 - and annual global trade growth will be as much as a quarter higher by the same year than it would otherwise have been.

How different is it from GATT?

First, the WTO will be more global in its membership than the GATT. Its prospective membership is already around 150 countries and territories, with many others considering accession.

Second, the WTO has a far wider scope than its predecessor, bringing into the multilateral trading system, for the first time, commercial activities like trade in services, the exchange of ideas in the context of intellectual property protection, and investment.

Third, the WTO is a full-fledged international organization in its own right while GATT was basically a provisional treaty serviced by an *ad hoc* Secretariat.

Fourth, the WTO administers a unified package of agreements to which *all* members are committed. In contrast, the GATT framework includes many important side agreements (for example anti-dumping measures and subsidies) whose membership is limited to a few countries.

Fifth, the WTO contains a much improved version of the original GATT rules plus a lot more. The new version, called GATT 1994, clarifies and strengthens the original GATT rules for trade in goods such as non-discrimination (the "most-favoured-nation" clause) and equal treatment for imports and domestic goods in the internal market ("national treatment"). Under new WTO agreements, the general principles are extended to important areas such as trade in services, intellectual property rights and investment measures.

Sixth, the WTO reverses policies of protection in certain "sensitive" areas which were more or less tolerated in the old GATT. Under various agreements, export restraints on textiles and clothing will be dismantled, trade in agriculture reformed and "grey-area" trade measures - so-called voluntary export restraints - phased out.

What does it do?

The WTO administers, through various councils and committees, the 28 agreements contained in the Final Act of the Uruguay Round, plus a number of plurilateral agreements, notably on government procurement and civil aircraft. It also oversees the implementation of the significant tariff cuts (averaging 40 per cent) and reduction of non-tariff measures agreed to in the negotiations.

The WTO is a watchdog of international trade, regularly examining the trade regimes of individual members. In its various bodies, members flag proposed or draft measures by others that can cause trade conflicts. Members are also required to notify in detail various trade measures and statistics, which are maintained by the WTO in a large data base.

As in any partnerships, conflicts can arise among members. The WTO, from the very start of these conflicts, provides several conciliation mechanisms for finding an amicable solution.

Trade disputes that cannot be solved through bilateral talks are adjudicated under the WTO dispute settlement "court". Panels of independent experts are established to examine disputes in the light of WTO rules and provide rulings. This tougher, streamlined procedure ensures equal treatment for all trading partners and encourages members to live up to their obligations.

The WTO is also a management consultant for world trade. Its economists keep a close watch on the pulse of the global economy, and provide studies on the main trade issues of the day. The Secretariat assists developing countries in the implementation of the Uruguay Round results through a newly established Development Division and a strengthened Technical Cooperation and Training Division.

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Finally, the WTO will be a forum where countries continuously negotiate exchanges of trade concessions to further lower trade barriers all over the world. And the WTO already has a substantial agenda for further negotiations in many areas, notably certain services sectors.

Who is in it?

All the 125 members of the old GATT automatically become WTO members upon acceptance of the Uruguay Round Agreements and submission of commitments on trade in goods and services. On the assumption that negotiations on the current membership applications of over 20 countries are ultimately concluded successfully, then the WTO will cover virtually the whole of world trade.

Participating and presiding over WTO meetings are representatives from members' diplomatic missions in Geneva and specialists from capitals.

The WTO Secretariat - numbering about 450 of many nationalities - services all meetings of WTO bodies at its headquarters in Geneva. The Secretariat works with developing countries and countries undertaking economic reform to help them negotiate accession and draw maximum benefit from the WTO.

GATT - A 46-YEAR CHRONOLOGY OF EVENTS AND ACHIEVEMENTS

1947 **The birth of GATT.** On 30 October 1947, the General Agreement on Tariffs and Trade (GATT) was signed by 23 nations at the Palais des Nations in Geneva. The Agreement contained tariff concessions agreed to in the first multilateral trade negotiations and a set of rules designed to prevent these concessions from being frustrated by restrictive trade measures.

The 23 founding contracting parties were members of the Preparatory Committee established by the United Nations Economic and Social Council in 1946 to draft the charter of the International Trade Organization (ITO). The ITO was envisaged as the final leg of a triad of post-War economic agencies (the other two were the International Monetary Fund and the International Bank for Reconstruction - later the World Bank).

In parallel with this task, the Committee members decided to negotiate tariff concessions among themselves. From April to October 1947, the participants completed some 123 negotiations and established 20 schedules containing the tariff reductions and bindings which became an integral part of GATT. These schedules resulting from the first Round covered some 45,000 tariff concessions and about $10 billion in trade.

GATT was conceived as an interim measure that put into effect the commercial-policy provisions of the ITO. In November, delegations from 56 countries met in Havana, Cuba, to consider the ITO draft as a whole. After long and difficult negotiations, some 53 countries signed the Final Act authenticating the text of the Havana Charter in March 1948. There was no commitment, however, from governments to ratification and, in the end, the ITO was stillborn, leaving GATT as the only international instrument governing the conduct of world trade.

1948 **Entry into force.** On 1 January 1948, GATT entered into force. The 23 founding members were: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, United Kingdom and the United States. The first Session of the Contracting Parties was held from February to March in Havana, Cuba. The secretariat of the Interim Commission for the ITO, which served as the ad hoc secretariat of GATT, moved from Lake Placid, New York, to Geneva. The Contracting Parties held their second session in Geneva from August to September.

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1949 **Second Round at Annecy.** During the second Round of trade negotiations, held from April to August at Annecy, France, the contracting parties exchanged some 5,000 tariff concessions. At their third Session, they also dealt with the accession of ten more countries.

1950 **Third Round at Torquay.** From September 1950 to April 1951, the contracting parties exchanged some 8,700 tariff concessions in the English town, yielding tariff reduction of about 25 per cent in relation to the 1948 level. Four more countries acceded to GATT. During the fifth Session of the Contracting Parties, the United States indicated that the ITO Charter would not be re-submitted to the US Congress; this, in effect, meant that ITO would not come into operation.

1956 **Fourth Round at Geneva.** The fourth Round was completed in May and produced some $2.5 billion worth of tariff reductions. At the beginning of the year, the GATT commercial policy course for officials of developing countries was inaugurated.

1958 **The Haberler Report.** GATT published Trends in International Trade in October. Known as the "Haberler Report" in honour of Professor Gottfried Haberler, the chairman of the panel of eminent economists, it provided initial guidelines for the work of GATT. The Contracting Parties at their 13th Sessions, attended by Ministers, subsequently established three committees in GATT: Committee I to convene a further tariff negotiating conference; Committee II to review the agricultural policies of member governments and Committee III to tackle the problems facing developing countries in their trade. The establishment of the European Economic Community during the previous year also demanded large-scale tariff negotiations under Article XXIV:6 of the General Agreement.

1960 **The Dillon Round.** The fifth Round opened in September and was divided into two phases: the first was concerned with negotiations with EEC member states for the creation of a single schedule of concessions for the Community based on its Common External Tariff; and the second was a further general round of tariff negotiations. Named in honour of US Under-Secretary of State Douglas Dillon who proposed the negotiations, the Round was concluded in July 1962 and resulted in about 4,400 tariff concessions covering $4.9 billion of trade.

1961 **The Short-Term Arrangement** covering cotton textiles was agreed as an exception to the GATT rules. The arrangement permitted the negotiation of quota restrictions affecting the exports of cotton-producing countries. In 1962 the "Short-term" Arrangement became the "Long-term" Arrangement, lasting until 1974 when the Multifibre Arrangement entered into force.

1964 **The Kennedy Round.** Meeting at Ministerial level, a Trade Negotiations Committee formally opened the Kennedy Round in May. In June 1967, the Round's Final Act was signed by some 50 participating countries which together accounted for 75 per cent of world trade. For the first time, negotiations departed from the product-by-product approach used in the previous Rounds to an across-the-board or linear method of cutting tariffs for industrial goods. The working hypothesis of a 50 per cent target cut in tariff levels was achieved in many areas. Concessions covered an estimated total value of trade of about $40 billion. Separate agreements were reached on grains, chemical products and a Code on Anti-Dumping.

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1965 **A New Chapter.** The early 1960s marked the accession to the General Agreement of many newly-independent developing countries. In February, the Contracting Parties, meeting in a special session, adopted the text of Part IV on Trade and Development. The additional chapter to the GATT required developed countries to accord high priority to the reduction of trade barriers to products of developing countries. A Committee on Trade and Development was established to oversee the functioning of the new GATT provisions. In the preceding year, GATT had established the International Trade Centre (ITC) to help developing countries in trade promotion and identification of potential markets. Since 1968, the ITC has been jointly operated by GATT and the UN Conference on Trade and Development (UNCTAD).

1973 **The Tokyo Round.** The seventh Round was launched by Ministers in September at the Japanese capital. Some 99 countries participated in negotiating a comprehensive body of agreements covering both tariff and non-tariff matters. At the end of the Round in November 1979, participants exchanged tariff reductions and bindings which covered more than $300 billion of trade. As a result of these cuts, the weighted average tariff on manufactured goods in the world's nine major industrial markets declined from 7.0 to 4.7 per cent. Agreements were reached in the following areas: subsidies and countervailing measures, technical barriers to trade, import licensing procedures, government procurement, customs valuation, a revised anti-dumping code, trade in bovine meat, trade in dairy products and trade in civil aircraft. The first concrete result of the Round was the reduction of import duties and other trade barriers by industrial countries on tropical products exported by developing countries.

1974 On 1 January 1974, the Arrangement Regarding International Trade in Textiles, otherwise known as the **Multifibre Arrangement (MFA)**, entered into force. It superseded the arrangements that had been governing trade in cotton textiles since 1961. The MFA seeks to promote the expansion and progressive liberalization of trade in textile products while at the same time avoiding disruptive effects in individual markets and lines of production. The MFA was extended in 1978, 1982, 1986, 1991 and 1992. MFA members account for most of the world exports of textiles and clothing which in 1986 amounted to US$128 billion.

1982 **Ministerial Meeting.** Meeting for the first time in nearly ten years, the GATT Ministers in November at Geneva reaffirmed the validity of GATT rules for the conduct of international trade and committed themselves to combating protectionist pressures. They also established a wide-ranging work programme for the GATT which was to lay down the groundwork for a new Round.

1986 **The Uruguay Round.** The GATT Trade Ministers meeting at Punta del Este, Uruguay, launched the eighth Round of trade negotiations on 20 September. The Punta del Este Declaration, while representing a single political undertaking, was divided into two sections. The first covered negotiations on trade in goods and the second initiated negotiations on trade in services. In the area of trade in goods, the Ministers committed themselves to a "standstill" on new trade measures inconsistent with their GATT obligations and to a "rollback" programme aimed at phasing out existing inconsistent measures. Envisaged to last four years, negotiations started in early February 1987 in the following areas: tariffs, non-tariff measures, tropical products, natural resource-based products, textiles and clothing, agriculture, subsidies, safeguards, trade-related aspects of intellectual property rights including trade in counterfeit

goods, and trade-related investment measures. The work of other groups included a review of GATT articles, the GATT dispute-settlement procedure, the Tokyo Round agreements, as well as the functioning of the GATT system as a whole.

1994 **"GATT 1994"** is the updated version of GATT 1947 and takes into account the substantive and institutional changes negotiated in the Uruguay Round (see separate brief). GATT 1994 is an integral part of the World Trade Organization established on 1 January 1995. It is agreed that there be a one year transition period during which certain GATT 1947 bodies and commitments would co-exist with those of the World Trade Organization.

URUGUAY ROUND
A Chronology of Important Events

20 September 1986: Ministerial Conference in Punta del Este, Uruguay, agrees Declaration to launch the Round with 4-year deadline for negotiations. 105 participating governments, comprising 94 GATT members and 11 non-members. (To date, 122 participating governments, of which 120 are GATT members.)

28 January 1987: Negotiating structure adopted. Negotiations start.

5-9 December 1988: Ministerial Conference in Montreal undertakes Mid-Term Review.

5-8 April 1989: The Trade Negotiations Committee (TNC), which oversees the negotiations, adopts the Montreal package of results, including trade liberalization for tropical products, improved dispute-settlement procedures and periodic trade reviews of individual GATT member governments. The TNC also sets further negotiating objectives.

27 July 1989: The TNC agrees to hold the final Ministerial meeting in Brussels in December 1990.

3-7 December 1990: The Brussels Ministerial Conference fails to conclude the Round. GATT Director-General Arthur Dunkel mandated to consult and examine the possibilities of re-starting the negotiations in Geneva early in 1991.

26 February 1991: The TNC adopts a work programme for the resumption of negotiations.

20 December 1991: Arthur Dunkel, as TNC Chairman at officials level, tables the Draft Final Act embodying the proposed results of the Uruguay Round negotiations (with the exception of market access commitments).

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13 January 1992:	The TNC hears reactions to the Draft Final Act. Many accept it; all express willingness to continue negotiations based on it. The EC states that the text on agriculture is unacceptable. A Four-Track negotiating structure is agreed: market access in goods; trade in services; legal drafting; and a TNC process to examine the possibility of re-opening substantive issues through consensus. Work is launched immediately on the first three tracks.
13 April 1992:	Informal TNC acknowledges that political breakthrough is needed in the main bilateral market access negotiations between the US and EC to unblock talks on agriculture and industrial goods.
22 May 1992:	EC agreement on internal CAP reform.
10 November 1992:	TNC mandates the Chairman to visit Brussels and Washington to convey to the 'big two' a message of concern from participants.
20 November 1992:	US and EC conclude Blair House Accord on agriculture, including agreement on oilseeds dispute, sparking hopes for conclusion of the Round. Serious attempts are made at completing negotiations on outstanding issues by the end of the year.
18 December 1992:	TNC meets to acknowledge the difficulty of ending the Round. The year ends with numerous informal proposals on the table but without a concrete calendar or tangible results.
28 February 1993:	US fast-track negotiating authority expires.
March-May 1993:	Negotiations lose momentum. Argentine President Menem, on behalf of 37 developed and developing countries appeals (11 March) to the Heads of Governments of US, EC and Japan to conclude the Round quickly. President Clinton requests Congress to extend fast-track authority, following agreement by participants that the Round can be concluded by the end of the year.
8 June 1993:	France accepts US/EC oilseeds agreement but states that Blair House will have to be re-negotiated.
30 June 1993:	US Congress grants fast-track authority with deadline of 15 December.
1 July 1993:	Peter Sutherland takes office as Director-General of GATT and, subsequently, as Chairman of the TNC at officials level.
7 July 1993:	At G-7 Summit in Tokyo, Quad Trade Ministers announce agreement of substantial but incomplete market access package.

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14 July 1993: TNC relaunches negotiations.

31 August 1993: Sutherland urges governments to face down vested interests and focus on overall benefits of the Round. TNC adopts intensive work programme aimed at concluding the Round by 15 December. Ministerial Conference to sign the agreements is set for April 1994.

17 September 1993: Montevideo Ministerial Declaration by Rio Group urges early successful conclusion of the Round as essential condition for overcoming international economic and trade difficulties.

25-26 September 1993: Ministers at annual World Bank/IMF meeting in Washington emphasize crucial rôle of successful Round in restoring confidence in global economic prospects.

27 September 1993: Joint declaration by Heads of the World Bank, IMF and GATT in Washington stresses critical importance of the Round for global growth and employment. Warns of major economic and social implications for all countries if the Round fails.

October 1993: Importance of Round for growth, development and jobs, and urgent need for rapid conclusion emphasized by various Ministerial Declarations - ASEAN Economic Ministers in Singapore on 8 October; Cairns Group in Geneva on 18 October; Commonwealth Heads of Government in Limassol on 22 October; and African Ministers of Trade in Tunis on 25 October.

1 November 1993: Sutherland points to a "lamentable failure" to define fully the Quad market access package; urges Quad countries to advance much more rapidly; asks Heads of Delegations to redouble their efforts; and calls on all chief negotiators to be present full-time in Geneva.

9 November 1993: OECD publishes report on potential benefits of Round, and states "No single act of collective political leadership could do more to rekindle world economic growth and broaden employment opportunities".

12 November 1993: Budapest Ministerial Declaration by Visegrad Group (Czeck Rep., Hungary, Poland, Slovak Rep.) emphasizes critical importance of successful Round for global economy and for growth and job creation worldwide.

18 November 1993: At press conference, Sutherland congratulates US Administration on successful outcome of NAFTA vote the previous day; calls it "half the battle".

19 November 1993: APEC Ministerial Declaration in Seattle announces package of conditional market access offers and urges speedy conclusion of the Round.

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26 November 1993:	Sutherland urges US and EC to deliver on the specifics of the market access package - "many offers and schedules from other participants depend on that contribution". Announces his intention to hold TNC on 15 December to approve Uruguay Round results.
15 December 1993:	After the final meetings of the market access and services groups, the Trade Negotiations Committee concludes seven years of Uruguay Round negotiations with a "momentous success".
Mid-February 1994:	Participants table their draft final schedules embodying and refining the commitments entered into on 15 December.
February/March 1994:	Verification of schedules of concessions on market access and services. Legal "clean-up" of the Final Act. Consultations on further Ministerial decisions to be taken at Marrakesh.
12-15 April 1994:	Marrakesh Ministerial Meeting. Adoption of Ministerial decisions for the transition from the GATT to the new World Trade Organization. On 15 April, signing of the Final Act embodying the results of the Uruguay Round and setting up the WTO. Governments agree to submit agreements for domestic ratification.
8 December 1994:	Implementation Conference in Geneva confirms 1 January 1995 as date to bring WTO Agreement into force.

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