

Chapter 12: An Overview of WTO



Preview

- 1) WTO's general information
- 2) WTO's history and GATT's commencement
- 3) WTO's structure
- 4) WTO's principles
- 5) WTO's main functions
- 6) Dispute Settlement Process
- 7) Vietnam's participation in WTO



Headquarter of WTO in Geneva

The World Trade Organization (WTO) deals with regulation of trade in **goods**, **services** and **intellectual property** between participating countries



Type:

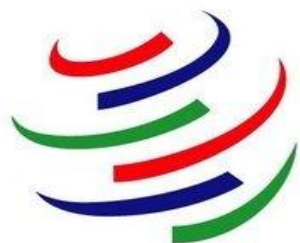
International
trade
organization

Purpose:

Regulate
international
trade

Members:

164 members



WORLD TRADE
ORGANIZATION

**Official
language:**

English, French,
Spanish

Headquarters:

Centre William
Rappard,
Geneva,
Switzerland

Region served:

Worldwide

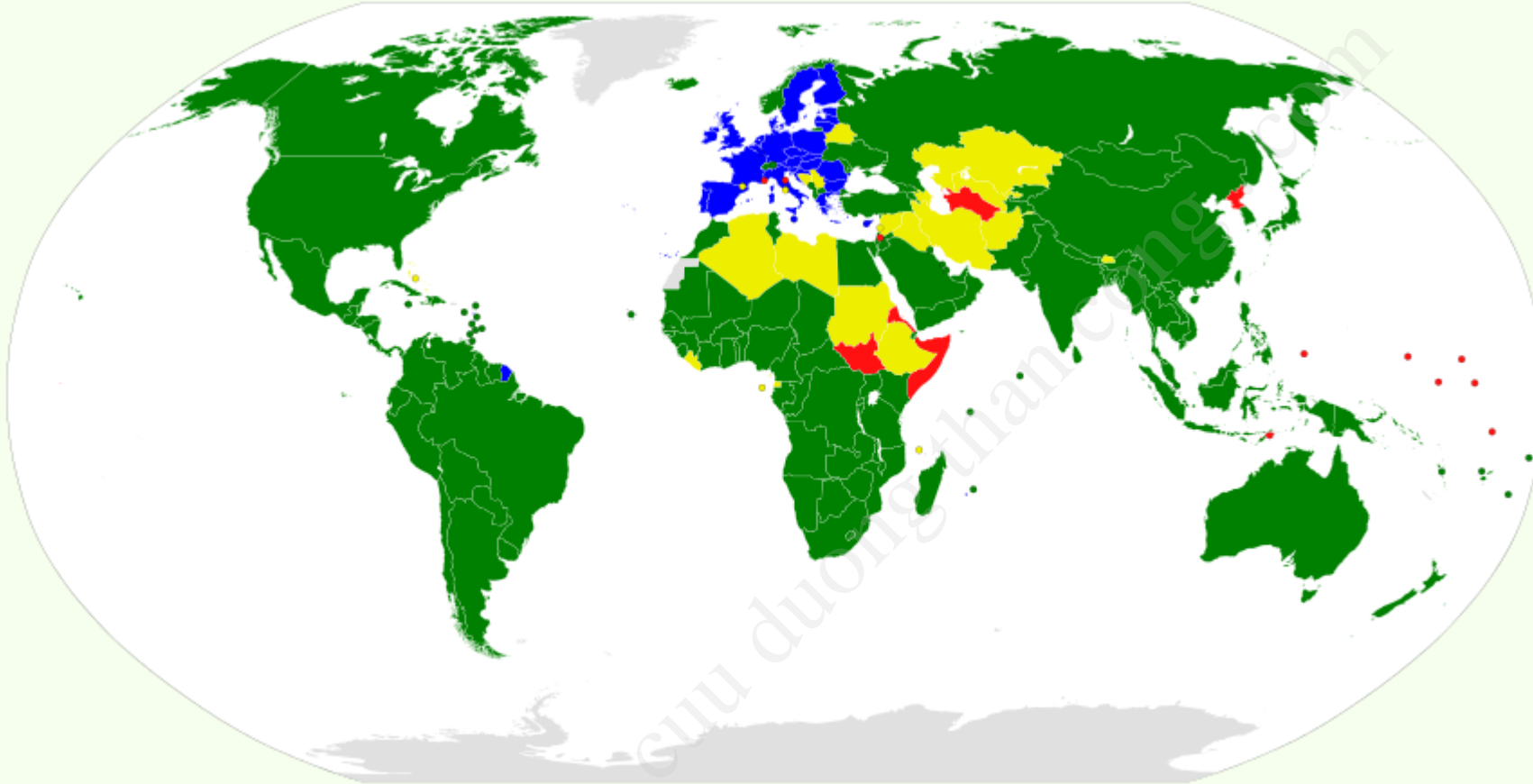
Budget:

General Director



Roberto Azevêdo
(born 3 October 1957)

Map of World Trade Organization



Members



Members, dually represented by
the European Union



Observers



Non-members

The history of the WTO

World War II



Bretton Wood conference



The history of the WTO



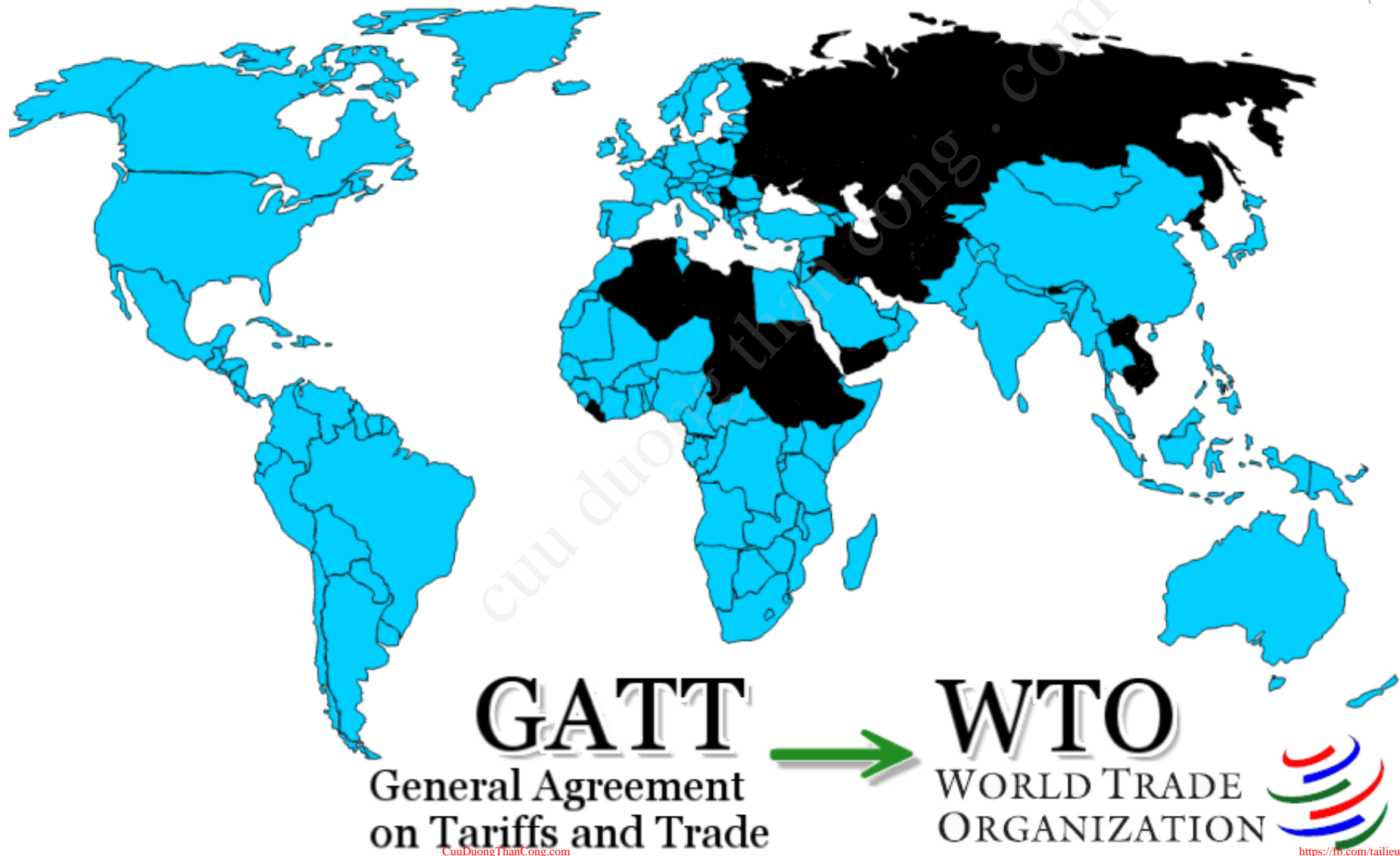
~~International
Trade
Organization~~



General Agreement on Tariffs and Trade (GATT)

- The WTO's predecessor, GATT, was established by a multilateral treaty of 23 countries in 1947 after [World War II](#) in Bretton Wood
- In the wake of other new multilateral institutions dedicated to international economic cooperation—such as the [World Bank](#) (founded 1944) and the [International Monetary Fund](#) (founded 1944 or 1945)
- A comparable international institution for trade, named the [International Trade Organization](#) never started as the [U.S.](#) and other signatories did not ratify the establishment treaty

GATT was signed by 23 nations in Geneva on October 30, 1947.



GATT Negotiating Rounds

Round	Dates	Participants	Avg. Tariff Cut
Geneva	1947	23	35%
Annecy	1949	13	NA
Torquay	1950 – 1951	38	25%
Geneva	1956	26	NA
Dillon	1960 – 1962	45	NA
Kennedy	1964 – 1967	62	35%
Tokyo	1973 – 1979	99	33%
Uruguay	1986 – 1994	117	36%

General Agreement on Tariffs and Trade (GATT)

- Until WTO's establishment, GATT was signed by 124 countries and on the process of 25 application packages
- GATT helped to reduce the average tariff level from 40% in 1948 to 15% for developing countries and just 4% for developed countries in 1995

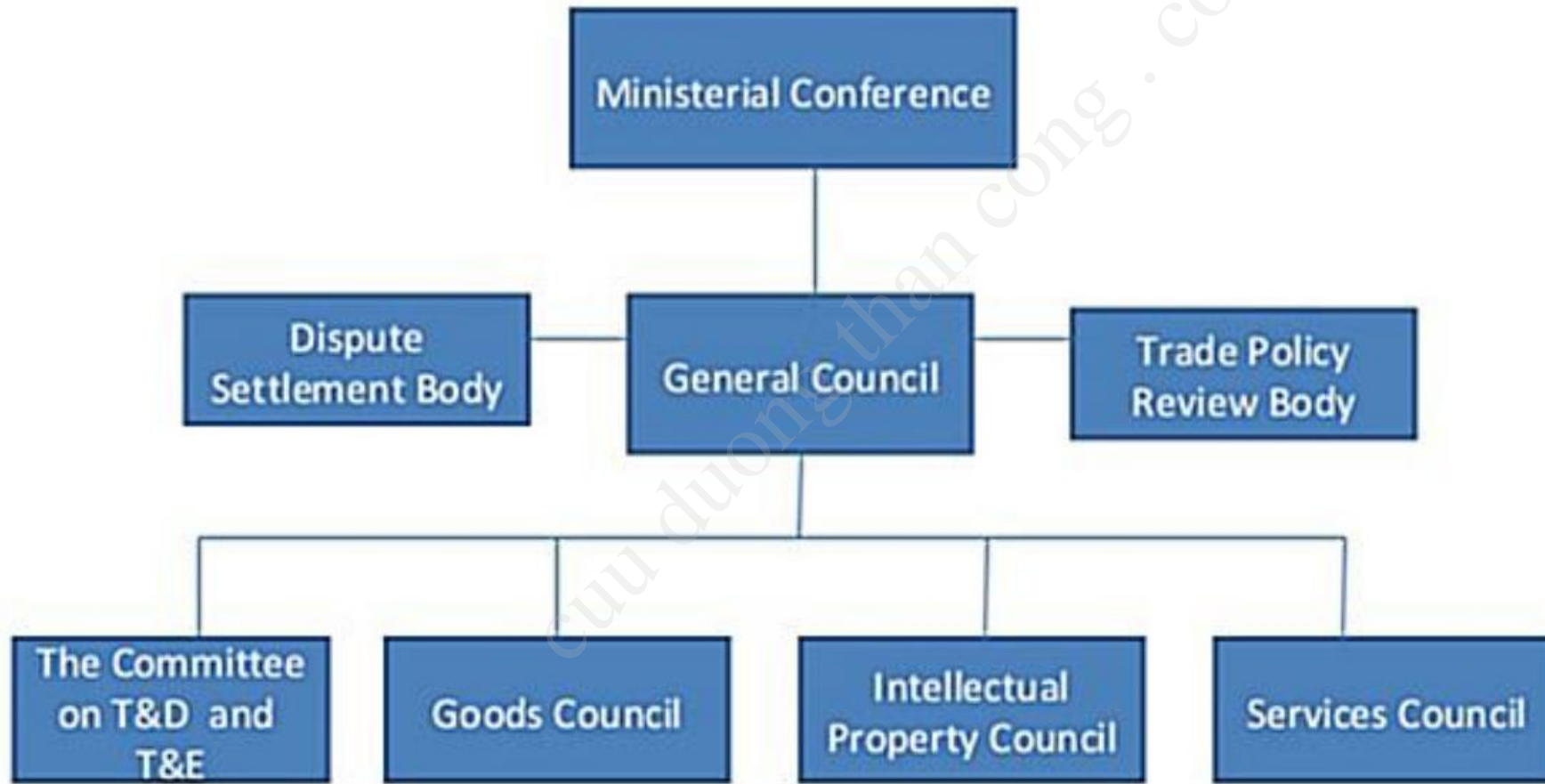
WTO's formation

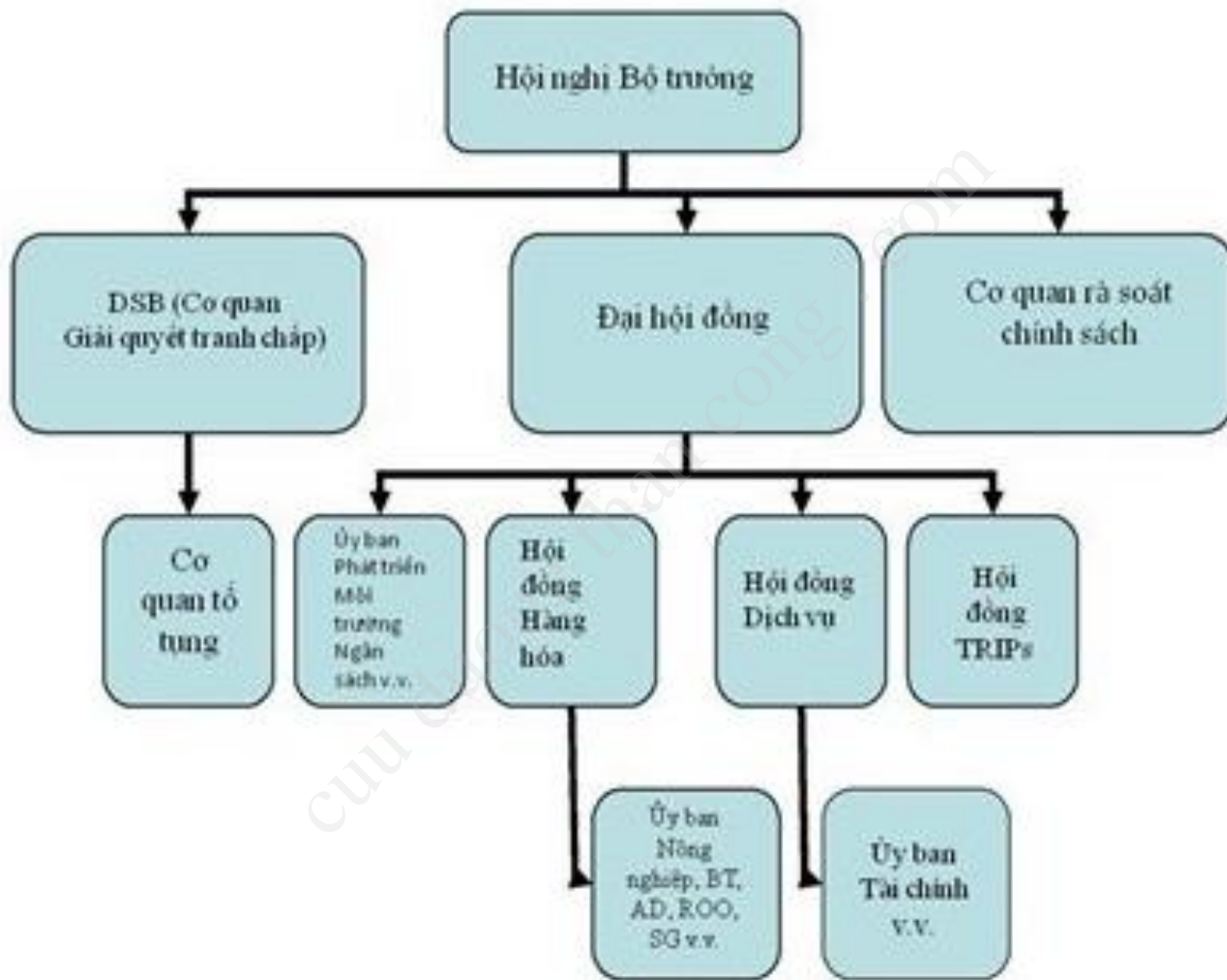
Before GATT's 40th anniversary, its members concluded that the GATT system was straining to adapt to a new [globalizing](#) world economy (structural deficiencies, spill-over impacts of certain countries' policies on world trade GATT could not manage, etc.)

=> The eighth GATT round—known as the Uruguay Round, discussed about **WTO's establishment in 1/1/1995**

=> To extend the trading system into several new areas, notably trade in services and intellectual property, and to reform trade in the sensitive sectors of agriculture and textiles

STRUCTURES OF WTO





Ministerial Conference

- The [Ministerial Conference](#), which usually meets every two years, is highest decision-making body of the WTO,.
- It brings together all members of the WTO, all of which are countries or customs unions.
- The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements.

Principles of WTO

- u Non-discrimination (Most Favored Nation (MFN) and the National treatment policy)
- u Reciprocity
- u Binding and enforceable commitments
- u Trade liberalization by negotiation
- u Fair trade encouragement

Principles of WTO

- u The number of WTO members is developing countries and countries in the process of economic transition accounts for more than 3/4
- u Therefore, the WTO provides these countries with certain flexibility and incentives in implementing WTO agreements (more technical assistance, longer implementation time for them to adjust policies. mine)
- u https://www.wto.org/english/res_e/webcas_e/webcas_e.htm

Main functions of the WTO

to provide a
framework for
negotiations

to provide a dispute
settlement mechanism

to oversee implementing and
administering WTO
agreements

Framework for trade negotiations

- u Countries must negotiate to resolve disputes arising from their trade relations
- u The WTO has held many new negotiations under the "Doha Development Program" initiated in 2001
- u https://www.wto.org/english/res_e/webcas_e/webcas_e.htm

Review national trade policies

- u To ensure that members fully comply with the laws and commitments of multilateral trade agreements
- u WTO members are subject to trade policy reviews conducted on the basis of member countries and the WTO secretariat.

Co-operation with other international organizations

- u The WTO has close relationships with many other international organizations, especially the IMF and the World Bank
- u There are currently about 140 international organizations with observers at the WTO and the WTO is also the observer of many international organizations
- u The WTO Secretariat works with more than 200 international organizations in activities such as statistics, research, benchmarking, and technical training.

Oversee WTO's agreements

- u Members must strictly follow the WTO's trade agreements
- u Governments of countries member must notify applicable trade regulations to individual and enterprises in that countries; and ensure that there is no sudden change in the applied policies.

Functions of WTO

- u The WTO negotiations addresses trade restrictions in at least 3 ways:
- u 1. **Reduction of tariff rates:** through multilateral negotiations.
- u 2. **Binding:** a tariff is “bound” by having the imposing country agree not to raise it in the future.
- u 3. **Prevention of non-tariff barriers:** quotas and export subsidies are changed to tariffs because the costs of tariff protection are more apparent.

Subsidies for agricultural exports are an exception.

Exceptions are also allowed for “market disruptions” caused by a surge in imports.

Functions of WTO

- The WTO prohibits discrimination between trading partners, but provides exceptions for environmental protection, national security, and other important goals
- WTO also supports for developing countries (low and middle income countries)

<http://ncif.gov.vn/Pages/NewsDetail.aspx?newid=2863>

WTO's agreements

The WTO oversees about 60 different agreements which have the status of international legal texts. Member countries must sign and ratify all WTO agreements on accession.

The [Agreement on Agriculture](#)

The [General Agreement on Trade in Services](#)

The [Agreement on Trade-Related Aspects of Intellectual Property Rights](#)

The [Agreement on the Application of Sanitary and Phytosanitary Measures](#)

The [Agreement on Technical Barriers to Trade](#)

The [Agreement on Customs Valuation](#)

Trade related Intellectual Property Rights Agreement (TRIPS)

https://www.wto.org/english/res_e/webcas_e/webcas_e.htm

Dispute Settlement Process

Dispute Settlement Process

- u The dispute settlement mechanism in the WTO is a succession of the dispute settlement rules of GATT, which had positive effects for nearly 50 years in the history of GATT since 1947
- u Objective: achieve a positive solution to the dispute, and prioritize solutions which are mutually agreed upon by the parties to the dispute and in accordance with the relevant WTO Agreements
- u The dispute settlement mechanism in the WTO is considered to be one of the basic successes of the Uruguay Negotiating Round.

Dispute Settlement Process

- The operation of the WTO dispute settlement process involves case-specific **panels**^[71] appointed by the Dispute Settlement Body (DSB),^[72] the Appellate Body,^[73] The Director-General and the WTO Secretariat,^[74] arbitrators,^[75] and advisory experts.
- The priority is to settle disputes, preferably through a **mutually agreed solution**, and provision has been made for the process to be conducted in an efficient and timely manner
- If a case is adjudicated, it should normally take no more than one year for a panel ruling and no more than 16 months if the case is appealed... If the complainant deems the case urgent, consideration of the case should take even less time.^[77]
- A 2016 study in *International Studies Quarterly* challenges that the WTO dispute settlement system leads to greater increases in trade.^[80]

Dispute Settlement Body

- The General Council convenes as the Dispute Settlement Body (DSB) to deal with disputes between WTO members.
- The DSB has authority to establish dispute settlement **panels**, refer matters to **arbitration**, adopt panel, **appellate body** and arbitration reports
- The DSB has to maintain surveillance over the implementation of recommendations and rulings contained in such reports, and authorize suspension of concessions in the event of non-compliance with those recommendations and rules

Dispute Settlement Process

- However, the dispute settlement system cannot be used to resolve trade disputes that arise from **political disagreements**.
- When Qatar requested the establishment of a dispute panel concerning measures imposed by the UAE, other Gulf Cooperation Countries (GCC countries) and the US were quick to dismiss its request as a political matter, stating that national security issues were political and not appropriate for the WTO dispute system

Discussing these case studies



US- Mexico
Import of fish



US- EU
Steel industry

Case study: Dispute of US and Mexico

- In eastern tropical areas of the Pacific Ocean, schools of yellowfin tuna often swim beneath schools of dolphins. When tuna is harvested with purse seine nets, dolphins are trapped in the nets. They often die unless they are released.
- If a country exporting tuna to the United States cannot prove to US authorities that it meets the dolphin protection standards set out in US law, the US government must embargo all imports of the fish from that country.
- In this dispute, Mexico was the exporting country concerned. Its exports of tuna to the US were banned. Mexico complained in 1991 under the GATT dispute settlement procedure.

Case study: Dispute of US and Mexico

- DSB granted authorization for Mexico to apply punitive duties on some imports of U.S. goods in retaliation for damages caused to Mexican trade by U.S. tuna labeling rules.
- The U.S. allows a “dolphin-safe” label on tuna cans that meet a no-kill standard and has claimed that Mexican fishing methods do not respect the standard
- Mexico had been contesting American tuna labeling rules, which are aimed at protecting dolphins from getting ensnared in fishing nets and killed.

Case study: Dispute of US and Mexico

- In late April, 1991 a WTO arbitrator concluded that Mexico suffered damage from the U.S. rule and could request the DSB to authorize Mexico to impose retaliatory duty on a selection of U.S. goods, to a level which did not exceed US\$ 163.23 million annually. Mexico thus requested authorization to suspend concessions to the United States up to the amount determined by the arbitrator.
- DSB agreed to grant Mexico the authorization to impose retaliatory duties up to the maximum amount and Mexico had to determine which U.S. goods would be subject to retaliatory duty, and at which rates.

Dispute cases

- u Dispute cases:

https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds548_e.htm

- u Jack Ma and the impact of the trade war:

https://www.wto.org/english/res_e/webcas_e/webcas_e.htm

Vietnam's participation in WTO

Accession Process

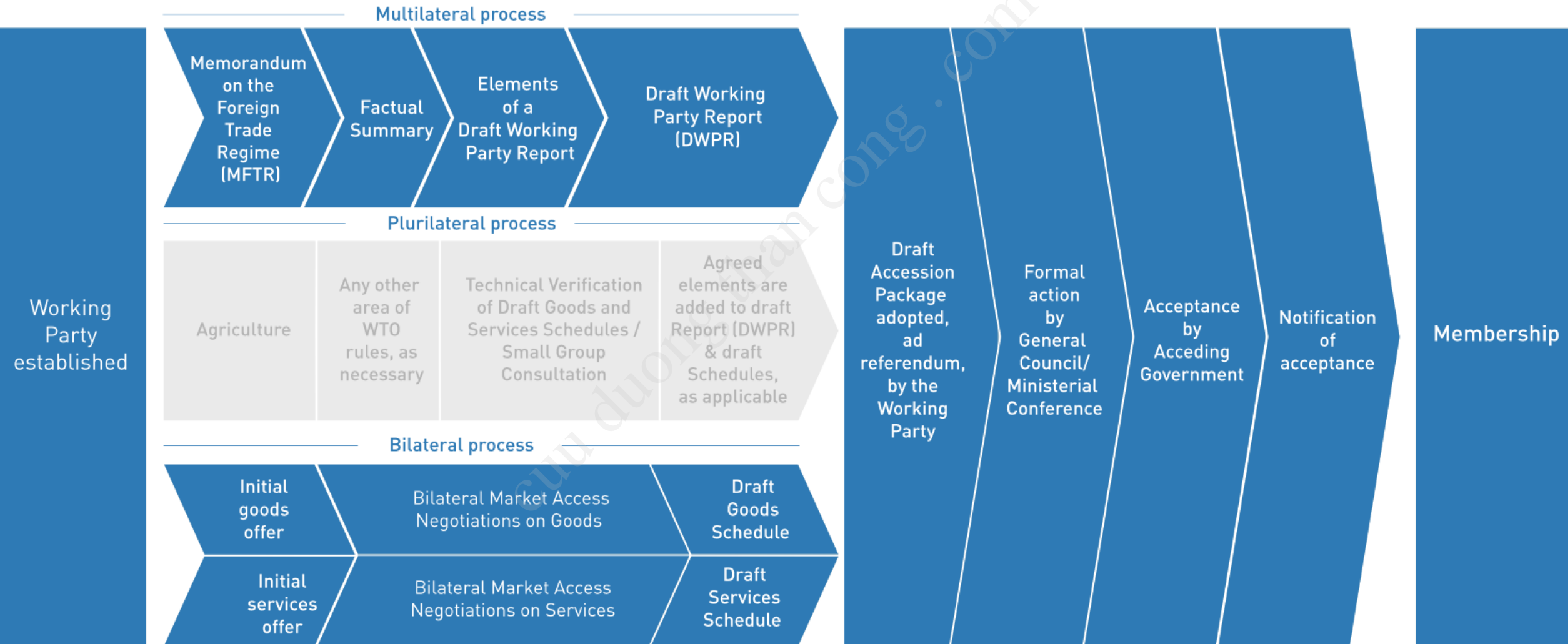
- u 1. Application's submission
- u 2. Negotiations between the applicant nation and other working party members regarding the **concessions and commitments on tariff levels** and **market access** for goods and services
- u 3. Accession

Vietnam's Accession Process

- *“Vietnam has undergone 11 years of accession negotiations with more than 200 negotiations including 11 multilateral negotiations, in order to make policies transparent and to make macroeconomic policy commitments consistent with trade agreements. WTO's Agreement and bilateral negotiations with 28 partners”* - International trade syllabus - Assoc. Prof. Nguyen Xuan Thien
- Viet Nam became the WTO's 150th member on 11 January 2007.

https://www.wto.org/english/thewto_e/acc_e/a1_vietnam_e.htm

Vietnam's Accession Process



Impact of WTO on Vietnam's Economy

1. Positive economic growth

- The average growth rate is 6.29% / year
- GDP per capita increased from USD 730 in 2006 to USD 2,228 in 2015 and reached USD 2,445 in 2016.
- The economic structure has shifted in a positive direction, gradually increasing the proportion of industry and services, gradually reducing the proportion of agriculture.

https://www.youtube.com/watch?v=X-TAS7W_w2Q

Impact of WTO on Vietnam's Economy

u 2. Change of economic, trade and investment policies

- Vietnam has amended over 60 legal documents to reach WTO commitments.
- The WTO has required Vietnam to gradually shift from the state management mode of administrative intervention to the state management method of creating, which respects the right to free trade in accordance with market rules.
- In 2007 Vietnam's private enterprise sector witnessed a boom with a record of nearly 60,000 newly established businesses in the year.

Impact of WTO on Vietnam's Economy

u 3. Destination of FDI attraction and the increase of import and export

- In 2016, Vietnam's total import-export turnover has quadrupled, surpassing the US\$ 350 billion.
- After 10 years of joining the WTO, the openness of Vietnam's economy has increased from 144% in 2007 to 173% in 2016.
- Foreign direct investment (FDI) increased sharply. In 2006: USD 10 billion; in 2007: USD 21.3 billion and 2008: USD 64 billion.
- Vietnam has attracted more than 22,000 FDI projects with a total registered capital of nearly 300 billion USD, many leading corporations in the world have chosen Vietnam as a production base such as Samsung, LG, Toyota, Honda, Canon, ...

Impact of WTO on Vietnam's Economy

u 4. Be confident in the global market

- There have been 12 multilateral and bilateral FTAs between Vietnam and major partners in the world that have been officially signed, or concluded negotiations such as: Vietnam - EU FTA (EVFTA), Vietnam - Korea FTA (VKFTA) ...
- These include new generation FTAs with a wide range of commitments and high levels of commitment such as the Trans-Pacific Economic Partnership Agreement (TPP).

Impact of WTO on Vietnam's Economy

- Vietnam is continuing to negotiate 4 more FTAs, including the Regional Comprehensive Economic Partnership (RCEP) - which is predicted to be a century FTA, regulating trade activities of the entire ASEAN region.

[https://en.wikipedia.org/wiki/Default_Date_Business_General
_Frame](https://en.wikipedia.org/wiki/Default_Date_Business_General_Frame)

- FTAs are opening up space for Vietnam to develop strongly and have free trade relations with 55 partners around the world, including G7 countries and 15/20 G20 members.

Summary

- The World Trade Organization (WTO) is the biggest trade organization in the world, which deals with regulation of trade in **goods, services** and **intellectual property** between participating countries
- Until WTO's establishment, the WTO's predecessor - GATT was signed by 124 countries, played as role of the biggest trade regulation system in the world market
- Principle and main functions of WTO

Summary

- WTO's dispute settlement process
- Vietnam's participation in WTO and WTO impact on Vietnam's economy after 10 years of becoming a WTO member