World Trade Organization (WTO)

International trade is not a new or recently started activity. Trade between countries has been an age-old practice. In reality, it was free and there were not many restrictions. Transportation and settlement systems were the problems of trade between countries. The mode of transportation was sea, encountering problems like loss of life and goods due to poor navigation and pirate menace. The settlement was through gold or barter system. As the communication and transportation facilities improved and new settlement systems evolved, it was natural to expect increased international trade. However, several restrictions on international trade started creeping in (1) to protect domestic industry (2) to protect the prices of the goods in local markets (3) due to balance of payment problems and (4) due to extraneous reasons like political, favouring one country while discriminating the other. The foreign trade was affected and led to scarcity of goods in some parts of the world and glut in other parts. Even before the second world war ended, the allied countries gave serious thought in developing a system that would end the chaotic conditions prevailing and pave the way for an orderly conduct of international trade and promote good monetary relations among the countries. They started working with the objective of finding a system which would:

1. Help to remove the restrictions on trade.
2. Ensure free convertibility of currencies (which was suspended during the inter war period due to exchange controls) and
3. Maintain stability in exchange rates among the currencies.

The representatives of 44 allied countries met at Brettonwoods, New Hampshire, USA in June 1944 to give a concrete shape to their ideas. The conference made recommendations to set up three international organizations *viz.*, (1) International Monetary Fund (IMF) to deal with the problems of balance of payments (2) International Bank for reconstruction and Development (IBRD) to deal with the problems of reconstruction and development of economies of countries shattered in the two world wars and (3) International trade organization (ITO) to deal with the problems of international trade. The first two were set up in 1945 but there were serious controversies about the third i.e. ITO and therefore could not be established.

An international conference on Trade and Employment was held in Havana in 1947-48. A charter was drawn and signed by 53 countries for setting up of an

International Trade Organization (ITO). ITO could not be established because the Havana charter was not ratified by the US Congress. However 23 countries had agreed to continue the exercise of negotiating for trade concessions, which were incorporated in the General Agreement on Tariff and Trade (GATT). This agreement was signed on 30 October 1947 and came into force with effect from 1 January 1948. India was the founder member of GATT. The main purpose of GATT was to ensure competition in commodity trade through the removal or reduction of trade barriers so as to bring about all round economic prosperity.

WTO AGREEMENTS

Trade Related Investment Measures (TRIMS)

This agreement seeks to bring about multilateral disciplines on investment practices that distort trade flows. According to this agreement all measures obstructing foreign investment and distorting trade should be removed within two years by developed countries, five years by developing countries and seven years by the least developed countries. The important features of the TRIMS are as follows:

1. All restrictions on foreign capital/investors/companies should be scraped.
2. The foreign investor should be given the same rights in the matter of investment as a national investor.
3. Restrictions will not be placed on any area of investment.
4. There should not be any limitation on the extent of foreign investment.
5. There should not be restrictions on the imports of raw materials and components.
6. Foreign investor will not be obliged to use local products and materials.
7. It is not mandatory on the part of foreign investor to export a part of the output.
8. Elimination of restrictions on repatriation of dividend, interest and royalty.

Trade Related Intellectual Property Rights (TRIPS)

The TRIPS agreement encompasses seven areas of intellectual property rights *viz.,* (i) copy right (ii) trade marks (iii) trade secrets (iv) industrial designs (v) geographical indications (vi) patents which also includes microorganisms and plant varieties (vii) layout designs of integrated circuits.

It allows a transition period of one year for developed countries, five years for developing countries and eleven years for the least developed counties to make their laws and practices to conform to the rules and conditions laid in the agreement.

General Agreement on Trade in Services (GATS)

This agreement is based on the desire to establish a multilateral frame work of principles and rules for trade in services with a view to expanding such a trade under conditions of transparency and progressive liberalisation. The services refer to banking and insurance, transport, communication, mobility of labour *etc.*

Under GATS, Most Favoured Nation (MFN) principle will apply to all member countries *i.e.,* if a service of any kind is open to one member country, it should be extended to all member countries in equal measure. The second requirement is transparency *i.e.,* all agreements affecting trade in services shall be published. Further each country is required to make market access commitments on services.

Agreement on Trade in Textiles and Clothing

The developed countries imposed most comprehensive quota restrictions under the Multi Fibre Agreement (MFA). This agreement on trade in textiles and clothing proposes to phase out quotas over ten year period beginning with 1 January 1995 and ending with 1 January 2005.

Plurilateral Trade Agreement (PTA)

These agreements are: agreement on trade in civil aircraft, agreement on Government procurement, international dairy agreement and international bovine meat agreement.

Dispute Settlement Body (DSB)

The dispute settlement process shall consist of consultations between the parties, failing which conciliation and mediation by the director general if agreed by the parties or a panel of three experts. It also provides for an Appellate review by a standing Appellate body, consisting of seven members set up by DSB to report to it within 90 days. The decision of the DSB will be binding on both the parties.

Trade Policy Review Body (TPRB)

This has been set up to carryout trade policy reviews. Frequency of such reviews depends on the share of a member in world trade.