



The World Trade Organization

Overview

The World Trade Organization (WTO) was established on January 1, 1995, following the ratification of the Uruguay Round Agreements and today includes 164 members. It succeeded the General Agreement on Tariffs and Trade (GATT), which was created in 1947 as a part of the post-WWII effort to build a stable, open international economic framework. The WTO has three basic functions: (1) administers existing agreements; (2) serves as a negotiating forum for new trade liberalization; and (3) provides a mechanism to settle trade disputes among the parties. The multiple WTO agreements cover trade in goods, services and agriculture; remove tariff and nontariff barriers; and establish disciplines on government practices that directly relate to trade—for example, trade remedies, technical barriers to trade, customs valuation, intellectual property rights, and government procurement. The WTO agreements are based on the principles of nondiscrimination, national treatment among countries, and transparency of trade rules and regulations. Some exceptions, however, such as preferential treatment for developing countries and regional and bilateral free trade agreements, are allowed.

The Doha Round and Nairobi Ministerial

The Doha Development Agenda “round” of multilateral trade negotiations was launched in November 2001. The negotiations were characterized by persistent differences among the United States, the European Union (EU), and developing countries on major issues, such as agriculture, industrial tariffs and nontariff barriers, services, and trade remedies. For example, developing countries (including emerging economic powerhouses such as China, Brazil, and India) sought the reduction of agriculture tariffs and subsidies among developed countries, nonreciprocal market access for manufacturing sectors, and protection for their services industries. In contrast, the United States, the EU, and other developed countries sought reciprocal trade liberalization, especially commercially meaningful access to advanced developing countries’ industrial and services sectors, while retaining some measure of protection for their agricultural sectors.

The WTO’s 2015 Ministerial Declaration acknowledged the division over the future of the Doha Round, and failed to reaffirm its continuation. Despite the disagreements, there was some progress in certain issues.

Trade Facilitation Agreement (TFA)

Perhaps the lasting legacy of the Doha Round is the TFA. The TFA aims to remove customs obstacles at the border through commitments to facilitate and expedite the movement, release, and clearance of goods, including goods in transit. The TFA entered into force on February 22, 2017. Developing and least developed countries (LDCs) may decide whether each commitment is to be implemented

upon the agreement’s entry into force; within a set time period after the entry into force; or implemented subject to the provision of technical assistance by donor members, including the United States.

Table I. GATT/WTO Rounds

Year	Name	Subjects covered	Countries
1947-1961	Geneva, Annecy, Torquay, Geneva II, Dillon	5 Rounds of tariff reductions	23 (1947); 26 (1961)
1964-1967	Kennedy	Tariffs and anti-dumping measures	62
1973-1979	Tokyo	Tariffs, anti-dumping, subsidies, technical barriers to trade, government procurement	102
1986-1994	Uruguay	Tariffs, nontariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, WTO institution	123
2001-2015	Doha Development Agenda	Tariffs, nontariff measures, agriculture, services, trade facilitation, trade remedies, and development	142 (2001); 162 (current)

Source: WTO.

Agriculture and Development

The Nairobi Ministerial reached agreement on a set of commitments on export competition, cotton, and issues related to LDCs. On agricultural export competition, members agreed to phase out export subsidies immediately (with some exceptions), ensure that any remaining subsidies do not have trade-distorting effects, and are applied transparently. For export financing, members agreed to new disciplines, including an 18-month repayment period in line with prior WTO decisions. Members agreed to minimize the trade-distorting effects of agricultural export state trading enterprises. Similarly, members agreed to provide food aid and endeavor to minimize or eliminate impacts on local commercial markets. None of the agriculture commitments are legally binding nor are they subject to

dispute settlement. Other issues remained unresolved and members agreed to continued review of the special safeguard mechanism and continued negotiation of a resolution on public stockholding programs for food security, both pressed by developing countries.

The Nairobi Ministerial also reached agreement on several measures for LDCs, including: non-binding preferential rules of origin; an extension for granting preferences under the services waiver; duty-free quota-free market access for cotton plus enhanced transparency and monitoring; and a transition period to implement specific intellectual property rights (IPR) rules for medicines until 2033.

Other Initiatives

Aside from the agreements reached at the Ministerial, several other initiatives are underway within and around the WTO. These include multiple plurilateral negotiations.

- The revised plurilateral **Government Procurement Agreement (GPA)** provides market access for various non-defense government projects to its signatories. It entered into force in April 2014 and currently has 45 members, including the United States and EU.
- During the Nairobi Ministerial, 54 members agreed to expand product coverage for tariff-free treatment in the 1996 **Information Technology Agreement (ITA)**. The updated ITA will eliminate tariffs over a seven-year period on 201 additional goods. The tariff reductions or elimination are applied on a most-favored-nation (MFN) basis to all WTO members. Countries began implementing tariff reductions according to country-specific schedules in July 2016.
- The **Environmental Goods Agreement (EGA)** negotiations, initiated by 14 members in July 2014, include the United States and China, representing 86% of global trade in such goods. Like ITA, it would apply on an MFN basis to all WTO members. Despite 18 rounds of negotiations, the agreement is not concluded. Most parties blamed China for the failure as it rejected the list of products to be included and requested several lengthy tariff phaseout periods which other countries refused to accept. The EGA's future remains uncertain.
- Launched in April 2013 among 23 members, including the United States and the EU but not China, the **Trade in Services Agreement (TISA)** seeks to expand commitments to the WTO General Agreement on Trade in Services (GATS). While this negotiation is being conducted as a closed plurilateral and is not under the auspices of the WTO, it may be incorporated into it in the future. Negotiations are currently on hold; the Trump Administration has not taken an official position.

Current Challenges

After 14 years of largely fruitless Doha negotiations, many intractable issues remain unresolved in the trading system. While developing countries remain focused squarely on agriculture, developed countries have linked ambition in agriculture to reciprocal ambition in industrial tariffs and services liberalization, especially for advanced emerging

market economies. With the Doha Round over, some issues, ideally negotiated multilaterally, remain contentious. For example, new attempts to limit or discipline agricultural subsidies—increasingly used by developing countries—may founder for want of a negotiating venue.

In addition, in the two decades since the WTO's establishment, new barriers and other issues not considered in earlier rounds have emerged. Developed economies seek to incorporate new issues, such as digital trade (cross-border data flows, cybertheft, and trade secrets), state-owned enterprises, new nontariff barriers, global supply chains, and the relationship between trade and environment rules that pose challenges to the trading system.

With clear disagreements at the conclusion of the Nairobi Ministerial, the future of the WTO as a viable and effective multilateral trade negotiating organization may be in doubt. The end of the Doha Round has called into question the viability of the “single undertaking” (one package) type of negotiation and the need for systemic and institutional reform. While members claim to remain committed to address the outstanding issues of the round, the path forward is unclear.

MC11. The 11th Ministerial Conference, scheduled for December 2017 in Buenos Aires, Argentina, may provide an opportunity for the members to define priority work areas. The U.S Trade Representative identified transparency and dispute settlement as areas that should be addressed.

Dispute Settlement. The dispute settlement (DS) system is considered one of the successes of the existing WTO system. However, some are concerned about the continued legitimacy of the DS system if no further WTO agreements are reached, thus preventing new trade issues from being adjudicated in the DS system.

Table 2. WTO Dispute Settlement: September 2017

Total cases filed	529
U.S. as Complainant	114
U.S. as Respondent	130
U.S. as Third Party	140

Source: WTO.

Bilateral, Regional and Plurilateral Agreements. Outside the WTO, some members likely will continue to pursue sector-specific plurilateral deals or bilateral and regional trade agreements where progress can be made more readily by assembling coalitions of interested parties rather than in the consensus-driven WTO forum. However, countries or regions that do not participate may be marginalized from the trading system and face heightened trade restrictions from those within these agreements.

Ian F. Fergusson, ifergusson@crs.loc.gov, 7-4997
Rachel F. Fefer, rfefer@crs.loc.gov, 7-1804

IF10002