

## INTRODUCTION INTO THE World Trade Organisation (WTO)

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## History of the WTO

- Predecessor: The General Agreement on Tariffs and Trade, (GATT) in operation since 1948.
- Focusing on rules for trade in goods, many trade barriers were dismantled, mainly in trade of non- agricultural products, in various trade negotiation rounds until 1986.

## The Uruguay Round of Negotiations 1986 – 1994 by the GATT

- Two important results:
- A new organisation was decided on: The World Trade Organisation: Implemented with the Marrakech declaration January 1995.
- Agricultural Trade was incorporated in a formalised way into the WTO and the Committee on Agriculture was created.
- And that is, where the trouble started!

## What is the WTO??

- A set of agreed upon rules that are enforceable and where offenders to the agreed upon rules can be financially penalized. Rules are agreed upon and are binding on members
- Objective: To stimulate worldwide trade through trade liberalisation and regard for consumer protection and disease prevention – especially in agricultural trade

## How does the WTO implement these objectives?

- Basically the WTO can be described as a table:
- Governments sit around that table and negotiate. What do you expect the table to do??? The consensus principle.
- Relatively small secretariat: About 650 Officials.( In comparison: UNCTAD has about 1100 officials)

## Output of the WTO up to now:

- Mainly based on the GATT negotiations, barriers to trade have been removed and trade flows now much more freely. Undesirable side effects have been removed.
- The rules negotiated for this achievement are transparent and predictable and available to all members of the WTO and to individuals ,companies and governments
- These rules have been signed into by Governments and force Governments to keep their trade policies within agreed upon limits

## Why has WTO bashing become such a favorite sport??

- The table itself is not the target: the negotiating Governments are the target.
- Because the WTO is transparent, it is open to criticism.
- The unbridgeable difference between the ambitions of developed and developing countries in trade.
- The inclusion of agriculture into the multilateral trade negotiation process.

## The instruments of the WTO

- Applicable to all members, with special reference to the developing status of members. Not always adhered too in both ways: Developing countries are the grey area: Countries such as Brazil and China have the same preferences in relation to preferential status as do have Swaziland and Namibia.
- The issue of Least Developed Countries (LDC's) is much clearer, UN classification applies.

## THE WTO: A RULES BASED SYSTEM?

- Not quite true: the rules are negotiated agreements ratified by Governments, and overseen and implemented by the WTO secretariat. Countervailing actions are possible against transgressors of rules that they have agreed upon previously
- Consensus policy: All decision are taken by consent. Balkanization of the WTO??

## Six part broad outline of the WTO

- The Umbrella Agreement establishing the WTO based on the GATT. (1)
- Agreements for the three broad areas of trade coverd by the WTO ( 2;3;4) GATT; GATS; TRIPS
- Dispute settlement process (5)
- Review of member countries trade policies. (6)
- Under the umbrella, things are not static

## The GATT in the WTO

- Basic principles: Most favoured Nation; National Treatment applicable to all.
- Other good's agreements such as agriculture and related agreements and annexes (SPS)
- Countries schedules of tariff reductions
- Related: Tariff rate quotas; sensitive products
- Technical barriers to trade (TBT) standards and labeling requirements
- Principle: Make life easier for traders.

## GATS and the WTO

- Different modules of activities and for opening – most contentious issue: module 4: Free movement of persons. No member must notify and then adhere to all modules.
- Trips: Trade related to intellectual property rights: Not highly developed as yet.
- Trade and the environment: New issue and will gain momentum once carbon emission is traded

## The Doha Development Agenda

- Is the WTO a Development agent?
- How strong is the link between trade and development?
- Special treatment for LDC's and developing countries. Softer liberalisation requirements and better market access.
- The DDA has developed into a discussion between developed countries under the guise of developmental aid to developing and LDC's.

## The Doha Development Agenda

- The consensus principle and the membership composition of the WTO. Pascal Lamy's remarks.
- The ambitions of finalising the DSA at the end of 2006.
- Driven by Fast Track Provisions in the USA.
- Mainly a concern of developed countries.
- This shows – in the end - the ambitions of developed countries in the so-called DDA.

## Problems for the DDA Ministerial in Hong Kong

- Unresolved agricultural issues in all three pillars of negotiations
- The cotton issue
- The banana issue
- The Singapore issues:
- Trade and investment
- Trade and competition policy;
- Trade and Government procurement and
- Trade facilitation

## Outcome of the Doha Ministerial Meeting:

- Some convergence has been reached.
- The developmental aspects, i.e. preferential treatment of developing and LDC's has been partly addressed in unilateral regulations: EBA and AGOA.
- There will be a Ministerial decree to speed up work and finalise the technical work at the end of 2006 for the Ministers to sign onto.

## The DDA and Southern Africa

- Trade liberalisation in Southern Africa is only partially driven by the WTO.
- Main drivers:
- South Africa's unilateral changes made as component of the sweeping economic reforms of the New South Africa- having a ripple effect especially in the SACU
- Structural adjustment requirements by the Bretton Woods institutions -

## The DDA and Southern Africa II

- The large industrial projects in the Region are mainly driven by commercial interests and developmental policies have no big influence.
- However, currently trade in goods and especially trade in manufactured goods are under scrutiny for further liberalisation as part of the price that export countries have to pay for developing their own industries.

### The DDA and Southern Africa III

- For example: The MIDP of South Africa is under scrutiny by the WTO on request of Australia for WTO rules incompatibility. Domestic subsidies are not any longer allowed – as well as tariffs to protect internal industries that are not subject to downscaling and outphasing.
- How can industrial development be supported without protection against established competitors??

### The SADC Ministerial Declaration

- Cape Town Declaration: ( 23 – 24 September Cape Town, SA)
- The Cape Town Recommendations to the Hong Kong Ministerial Conference
- The SDAC Trade Ministers Communiqué

### The Negotiation Strategy of LDC's and DC's

- The Africa Group = 54 members – out of 148 WTO members can be a strong position but not fully exploited
- The Group of 90 developing and least developed countries
- Not enough coherence but group forming will be an effective tool in the Hong Kong negotiations.

### The Way forward

- How does the WTO deal with the special needs of developing countries:
- More time for implementation of rules
- Better terms for the implementation requirements: Higher tariffs for a longer time
- Better terms of trade ( tariffs, especially preference market access and better safeguards; technical help

### The End

- When elephants fight, the grass gets trampled
  - Thank you for listening to such a dry and theoretical subject.
  - Is the glass half full or half empty??