

A study on gatt and wto economics essay



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In this section I will discuss what was GATT. GATT stands for General Agreement on Tariffs and Trade. Countries first signed this document in 1947. This agreement was designed to encourage free trade between member states. It encouraged free trade by regulating and reducing tariffs the countries imposed on tradable goods. It also provided an international forum to settle trade disputes. 110 countries have now signed on to GATT. GATT was in existence until 1995, when a new international governing body on international trade was created to replace it. This new organisation is the WTO.

WTO

In this section I will describe what the WTO is. The WTO stands for the World Trade Organisation. The WTO was created to replace the GATT. The Bretton Woods agreement of 1944 was created to help with the financial consequences of rebuilding Europe after World War Two. It would also try to ensure that major world depressions would not occur. The IMF and World Bank were created to help achieve this. However, an organisation to regulate trade between countries was also required. The GATT was initially set up, but the WTO was created in 1995 to succeed this. As it states on their own website (www.wto.org), '*the World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.*' The WTO has nearly 150 members. Trade between these members accounts for 97% of the worldwide trade.

How does the WTO work?

In this section I will describe how the WTO operates and who the members are. The main point to note about the WTO is that it does not set rules on its own. This makes it different from the other two organisations set up by the Bretton Woods agreement. The WTO is more of an international forum where trade negotiations are discussed. It then ensures that outcome of the negotiations are undertaken.

The WTO has many member states. Each state has a representative that sits on the council. Each representative has only one vote when it comes to decisions. This is different to the IMF as on the IMF the more powerful, developed countries have greater power. The one vote to one member policy that the WTO has is designed to ensure greater fairness with regards to trade negotiations. However, in the past, Europe, USA and Japan have dominated. This domination is to be upset with the introduction of China into the WTO. This will now mean that the developing world has a major voice at trade negotiations.

The process of decision-making is undertaken by all member states. All members vote on specific decisions and the outcome of negotiations are usually by consensus. A majority vote can also be used, but this is extremely rare.

Below this level are numerous specialised committees, working groups and working parties that deal with individual agreements and various other areas concerned with environment, development, membership applications and regional trade agreements.

What does the WTO do?

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In previous sections I have described what the WTO is and how it works. In this section I will describe what the WTO does and the activities that the WTO is involved in. According to its own website, ' *The WTO's overriding objective is to help trade flow smoothly, freely, fairly and predictably.*' It does this by:

- . Administering trade agreements
- . Acting as a forum for trade negotiations
- . Settling trade disputes
- . Reviewing national trade policies
- . Assisting developing countries in trade policy issues, through technical assistance and training programmes
- . Cooperating with other international organizations

Now that there is an international organisation that has been set up to deal with international trade, high barriers of entry and high tariffs are being reduced. This was true with GATT but that agreement had reached the limits of what it was going to achieve. Now, with the WTO, the obligations of national governments are being enforced. Also, the domestic policies of member countries are now being better devised with the larger global economy in mind. Before the introduction of the WTO this was not the case.

However, some critics of the WTO, and the other international organisations, say that they have an agenda. The critics say that the international organisations try to over encourage new members and countries that come

to the WTO looking for financial assistance the idea of liberalisation. The idea of liberalisation is forced upon the developing countries meaning that market entry is completely free and tariffs are non-existent. However, developed countries such as those from Europe and the USA (original members of the WTO and before in the GATT) do have tariffs and barriers of entry to their markets. Critics argue that it is one rule for one and another rule for others.

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Conclusion

In conclusion I can say that the GATT is the General Agreement on Tariffs and Trade. This was set up to govern international trade. The World Trade Organisation (WTO) replaced this in 1995 to better govern international trade. The WTO does not set rules; it operates as an international forum for international trade negotiations. It also ensures that the member countries carry out these negotiations. However, critics of this organisation state that the WTO over enforce market liberalisation on developing countries.

Bibliography and References

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