

## What Is the General Agreement on Tariffs and Trade (GATT)?

The General Agreement on Tariffs and Trade (GATT), signed on October 30, 1947, by 23 countries, was a legal agreement [minimizing barriers to international trade](#) by eliminating or reducing [quotas](#), [tariffs](#), and [subsidies](#) while preserving significant regulations.<sup>1</sup> The GATT was intended to boost economic recovery after World War II through reconstructing and liberalizing global trade.

The GATT went into effect on January 1, 1948.<sup>2</sup> Since that beginning it has been refined, eventually leading to the creation of the [World Trade Organization \(WTO\)](#) on January 1, 1995, which absorbed and extended it.<sup>3</sup> By this time 125 nations were signatories to its agreements, which covered about 90% of global trade.<sup>4</sup>

The Council for Trade in Goods (Goods Council) is responsible for the GATT and consists of representatives from all WTO member countries. As of September 2020, the chair of the Goods Council is Swedish Ambassador Mikael Anzén.<sup>5</sup> The council has 10 committees that address subjects including market access, agriculture, subsidies, and anti-dumping measures.

## What is the World Trade Organization (WTO)?

The World Trade Organization (WTO) is a multilateral organization headquartered in Geneva, Switzerland. It came into existence on January 1, 1995, as a successor to the General Agreement on Tariffs and Trade (GATT). The organization functions as a central body that facilitates global trade.

The WTO provides a common platform to negotiate trade agreements among member countries and to resolve any trade disputes. It manages 60 global and about 300 [regional trade agreements](#). The 60 trade agreements are accorded the status of international law. The WTO comprises 164 member states. There are also observer states that are not signatories to the WTO agreements, and they do not participate in free trade.

### **Structure of the World Trade Organization**

## ***The Ministerial Conference***

The Ministerial Conference of the WTO meets every two years to make important decisions about existing trade agreements. The Ministerial Conference holds the authority to make decisions on any aspects of all multilateral agreements made under the WTO.

The Conference includes representatives from all members of the WTO. It gives equal representation to all its members regardless of the size of their economy or share in [international trade](#). It can be thought of as the legislative branch of the WTO. The 12th Ministerial Conference is now scheduled to take place in June 2021 in Kazakhstan.

The WTO is headed by the Ministerial Conference, while the daily operations are carried out by three administrative bodies:

### ***1. General Council***

The General Council comprises the representatives of all member countries and acts as the representative of the Ministerial Conference when it comes to daily operations. Its job is to carry out the implementation and monitoring function of the WTO.

The General Council is further divided into multiple councils and committees that focus on specific topics. Examples of such bodies include the Council on Goods, the Councils on Services, the Committee on Textiles under the Council on Goods, etc.

### ***2. Dispute Settlement Body***

The Dispute Settlement Body is a part of the General Council and is responsible for settling trade disputes between member states. There is also an Appellate Body, where member states can appeal any decisions made against them during a dispute settlement.

### ***3. Trade Policy Review Body***

The Trade Policy Review Body is also a part of the General Council and is responsible for ensuring the [trade policies](#) of member states are in line with the goals of the WTO. Member countries are required to inform the WTO about changes in their laws and trade policies.

The body undertakes regular reviews of the policies to ensure they conform to the rules of the WTO. This is part of the monitoring function of the WTO, and it helps the WTO to adapt to the changing economic landscape.

## **Functions of the WTO**

The WTO's functions can be broadly divided into the following categories:

### ***1. Trade Negotiations***

The WTO facilitates trade negotiations among countries by providing a framework to structure the agreements, as well as providing dispute resolution mechanisms. It creates an international legal framework that ensures the smooth exchange of goods and services among the member countries.

### ***2. Implementation and Monitoring***

Once the agreements are negotiated, the job of the WTO is to ensure that the signatory countries adhere to their commitments in practice. It also produces research based on the impact of the agreements on the economies of the countries involved.

### ***3. Dispute Settlement***

The WTO also acts as a dispute settlement body when there is a trade conflict between its member states. The members of the WTO can file complaints against other member states if they feel the trade and economic policies of a country are divergent from their commitments under one of the agreements of the WTO. Following the complaint, there are formal hearings like a court until a settlement is reached.

### ***4. Building Trade Capacity***

The WTO runs special programs to support developing countries by helping them build the capacity to participate in free trade with more developed countries. It also gives concessions under certain agreements to low-development countries to ease them into free trade with other countries.

### ***5. Outreach***

Finally, the WTO carries out lobbying and outreach across the world as a part of its larger objectives to promote free trade. They try to persuade governments to reduce barriers to trade to free, fair, and open markets around the world.

## **Related Readings**

Thank you for reading CFI's guide to the World Trade Organization. To keep learning and developing your knowledge base, please explore the additional relevant resources below: