

WTO (establishment of)

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Description Prior to the establishment of the World Trade Organization, the provisional General Agreement on Tariffs and Trade (GATT) of 1948 provided the only framework for international trade. Following the Second World War, fifty nations took part in negotiations to establish an International Trade Organization (ITO) that would remove the protectionist trade policies of the 1930s that had devastated the international and domestic monetary systems, leading to economic depression and, ultimately, war. While agreed to in principle, ratification proved difficult for national legislatures and the ITO failed, leaving GATT (which came into force as the ITO Charter was being forged) as the only multilateral trading instrument. As time progressed, it was recognized that the international trading system faced collapse. Increased discontent on agricultural policies coupled with increased use of voluntary restraint agreements (VRAs) and trade conflicts initiated the need for change. Changes to GATT were also necessary to deal with new areas of trade, including services, intellectual property rights, and investment. A new round of trade negotiations were launched at Punta del Este, Uruguay in September 1986. The ultimate outcome of this lengthy process of negotiations was the establishment of the WTO, which came into effect on 1 January 1995.

The World Trade Organization is a formal, rules-based organization with its own dispute settlement mechanism based on the principle of compulsory adjudication and the concept of "single undertaking." "Single undertaking" means that all three legal pillars of the WTO: (1) the twelve agreements of goods, including the original GATT; (2) the General Agreement on Trade in Services (GATS); and (3) the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) constitute one legal framework of the organization and therefore every WTO member has to comply with all of the WTO agreements.