

International Business
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Lecture – 45
WTO, GATT, Origin and Functions, MFN Principles, Agreements

Hi, everyone. Welcome to the class. We will continue from where we had left in the last lecture. So, we are continuing with the International Economic Institutions. So, in the last lecture we discussed about the IMF and the World Bank.

So, we talked about what was the you know how did the IMF and the World Bank evolve which was an outcome from the Bretton Woods agreement which happened you know after the during the World War II time right, but later on that was abolished and then the IMF and world bank came into existence right.

So, ah, but these two in you know along with these two institutions, the third institution that is also of very high importance when it comes to economic trade and business is a topic of discussion today, right. So, we will talk about the world trade organization which happens to be one of the most important organizations when it comes to world trade right. So, this organization deals with the you know trade rules and among the nations.



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World Trade Organization (WTO)



- The World Trade Organization (WTO) is an international organization dealing with the trade rules among nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business. It replaced the General Agreement on Tariffs and Trade (GATT) 1947.
- It is a forum for governments to negotiate trade agreements.
- It is a place for them to settle trade disputes.
- It operates a system of trade rules.
- Essentially, the WTO is a place where member governments try to sort out the trade problems they face with each other.

The World Trade Organization deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

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So, as it says if you can see the WTO is an international organization dealing with the trade rules among the nation and its heart are the WTO agreements so, which is negotiated and signed by the bulk of the world's trading nations. So, there are around 160 – 64 countries right, who are a member and these trading nations they have ratified these agreements in their own parliaments.

Why the what is the purpose of the WTO? It is to help producers of goods and services, exporters and importers to conduct their business right. This replaced the general agreement on tariff and trade which is basically called earlier as popularly as the GATT. So, the GATT which was formed in 1947 so, that gave way to form the WTO right.

It is a forum for the governments to negotiate trade agreements. It is a place for them to settle the trade disputes. So, trade agreements, trade disputes are settled. It operates a system of trade rules. So, rules and regulations are made by the world trade organization.

Essentially, the WTO is a place where member governments try to sort out the trade problems they face with each other. So, in the you can understand since trade is so complicated and in the world there are and in the world there are so many different countries who are trading with each other and there is there is a very very high chance that there might be disputes among these countries during trade.

And, this disputes might not be an outcome just because of economic reasons that could have initiated because of some political reasons also right. But, then it takes a form of economic problem right. So, in such a condition whatever the situation may be so, its disputes maybe have to be solved. So, in that condition the WTO plays the role to solve this disputes.



The World Trade Organizations deals with the global rules of trade between nations. Its main function is to ensure that trade flows smoothly predictably and freely as possible right.

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For example:

- In 2012, China lodged a complaint against the U.S over the tariff measures with the World Trade Organization. The United States had hit the Asian country with extra import duties, claiming those goods were being dumped on the US market to help Chinese companies win market share. A WTO dispute panel supported the Chinese complaint against these tariffs slapped on a range of products, including paper, steel, tires, magnets, chemicals, kitchen fittings, flooring and wind turbines.
- The WTO after the US had challenged New Delhi's incentive schemes has ruled that India violated global trade rules by providing up to \$7bn in annual export subsidies to its companies in sectors such as pharmaceuticals, textiles, steel and technology products. The WTO urged India to withdraw the export subsidy schemes within six months. If it fails to comply, it could eventually face punitive tariffs from Washington.
- Trade disputes are rife at the WTO, with members having the right to impose extra duties when goods are sold below market prices. However, the countries have to prove that the duties are not deployed to protect domestic producers from foreign competitors.

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So, let us start with an example in 2012 China lodged a complaint against the US. What was the complaint about? Over the tariff measures with the you know about the tariff measures. So, whom did they complain? They complained to the WTO against the US. The United States had hit the Asian country China; that means, with extra import duties claiming those goods were being dumped on the US market to help the Chinese companies right to win market share.

So, the US government raised the import duties to make the Chinese goods more costlier so that it would not be able to gain ground in the US market. China lodged a complaint in the WTO. A WTO dispute panel supported the Chinese complaint right against this tariffs and slapped and on a which was slapped on a range of products of this Chinese products including paper, steel, tires, magnets, chemicals, kitchen fittings, flooring, wind turbines etcetera right.



So, China overall won this case.

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In another case which was you know which happened with India; the US challenged New Delhi's incentive schemes and ruled that India violated the global trade rules by providing up to 7 billion annual export subsidies to its companies in sectors such as pharma, textiles, steel and technology products. The WTO urged India to withdraw the export subsidy schemes within 6 months right and they said if it fails to comply it could eventually face punitive tariffs from Washington.

In one case it was between China and US where China won the case; in the second case it was between New Delhi and US where India lost the case and US won the case rather.

Trade disputes are rife at the WTO. There are lots of trade disputes obviously, there would be so many different countries and different you know the preservatives being so different; with members having the right to impose extra duties when goods are sold below market prices. However, the countries have to prove that the duties are not deployed to protect market producers from foreign competitors.

What does it say? So, there will be trade disputes right with members also having a right to impose extra duties when goods, but the condition is when the goods are sold below the market prices that is somebody is trying to dump the product in such condition they can impose extra duties. But, however, it says the country is have to prove that the duties are not deployed to protect the domestic producers from the foreign competition.

So, the basic purpose of the WTO is to ensure that a fair deal is going on and the fair business is going on right, so, nobody follows an unfair practice at least among the member nations.

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Origin of WTO

- From 1948 to 1994, the **GATT (General Agreement on Tariffs and Trade)** provided the rules for much of world trade and presided over periods that saw some of the highest growth rates in international commerce. It seemed well-established but throughout those 47 years, it was a provisional agreement and organization.
- The GATT mainly dealt with trade in goods, whereas the WTO and its agreements also cover trade in services and intellectual property. The birth of the WTO also created new procedures for the settlement of disputes.
- The World Trade Organization (WTO) came into being on January 1st 1995.** It was the outcome of the lengthy (1986-1994) Uruguay round of GATT negotiations. **The WTO was essentially an extension of GATT.**
- The Twelfth Ministerial Conference (MC12) of WTO will take place from 8 to 11 June 2020 in Nur-Sultan, Kazakhstan.

FACT FILE
Location: Geneva, Switzerland
Established: 1 January 1995
Created by: Uruguay Round negotiations (1986-94)
Membership: 164. The WTO currently has 164 members, representing 98 per cent of world trade.
Budget: 197 million Swiss francs for 2018
Secretariat staff: 625
Head: Roberto Azevêdo (Director-General)
Latest Entrants: Liberia and Afghanistan Joined in 2016

How did that WTO originate? I think we discussed just now. So, it originated from the GATT right. So, the GATT which is also known as General Agreement on Tariff and Trade, it range from 48 to 94, right and it provided the rules for much of the world trade in that time and presided over periods that saw some of the highest rates in international commerce.

It seemed well-established for this 47 years it was a provisional, it was a provisional agreement and organization right. So, this was one of the major facts about the you know GATT it was a provisional agreement.

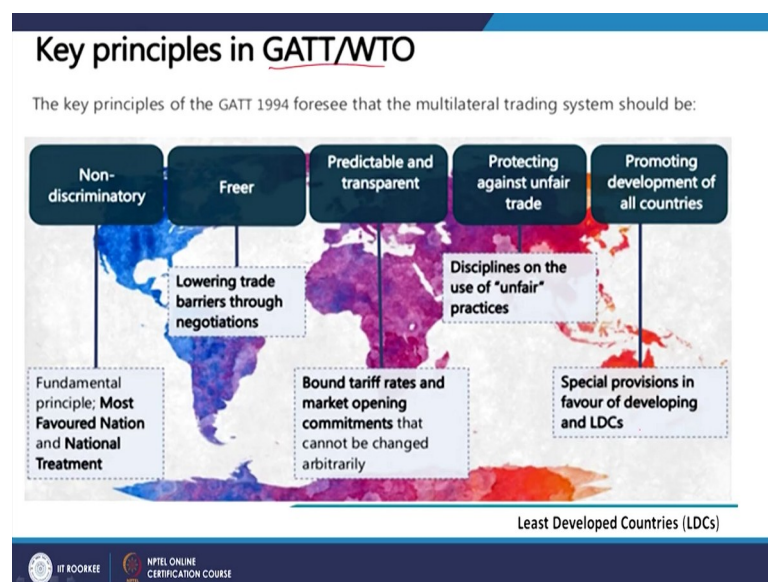
The GATT mainly dealt with trades in goods; another big difference between GATT and WTO is that it dealt only with goods and not services which was included in the WTO whereas, the WTO and its agreements also cover trade in services and intellectual property. So, the birth of the WTO also created new procedures for the settlement of disputes right.

So, the WTO basically originated from the GATT. In fact, because from the through the Uruguay Round. So, there was a Uruguay Round. So, which helped in demolishing rather the you know changing the GATT and moving from the GATT to the WTO.

The WTO came into being in 1st Jan 1st January 1995. It was the outcome of the lengthy you know Uruguay Round of GATT negotiations; Uruguay Round was almost 7 and a half years which was double the time period for that you know negotiation. So, the WTO was essentially an extension of the GATT. The twelfth Ministerial Conference of WTO is going to be held in 2020 June in Nur-Sultan Kazakhstan right.

There are some of the facts. So, it is located in Switzerland the headquarters, it was created after the Uruguay Round negotiation right. Membership – there are 164 countries. So, the WTO currently has 164 members representing 98 percent of the world trade. So, this is a huge amount almost 100 percent close to 100 percent. The budget is 197 million Swiss francs; secretariat staff, it has 625 and Roberto Azevedo is the director-general right. Some of the latest entrants are Liberia and Afghanistan who joined in 2016.

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What are the key principles of the GATT and the WTO? Now, the GATT and the WTO are the WTO which became you know which only came from the GATT. So, some of the key principles are were like the non-discriminatory principle, freer principle,



predictable and transparent principle, protecting against unfair trade, promoting development of all countries. So, they are five major principles of the WTO.

So, for example, in under non-discriminatory you can see fundamental which is the most fundamental principle the which is called the bedrock of the you know WTO so, there is the on which the foundation of the WTO lies. So, the most favored nation in the national treatment policy. In freer it is talks about the trade barriers right. So, here it talks about being more transparent and you know opening the markets. Here it talk talks about unfair practices and the special provisions.

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WTO Principles

- **Non-discrimination:** A country should not discriminate between its trading partners(MFN) and it should not discriminate between its own and foreign products, services or nationals(National treatment policy). The only exceptions are developing countries, regional trade areas, and customs unions.
 - For example: India is trading with many countries by imposing some tariffs on import or export, but according to WTO we can not impose high tariffs on one trading nation and low tariffs on another. We have to treat them equally.
 - The United States gave Vietnam and China MFN status in 2001, the same year that China became a WTO member.
- **More open:** ^{ref + open} Lowering trade barriers is one of the most obvious ways of encouraging trade, these barriers include customs duties (or tariffs) and measures such as import bans or quotas that restrict quantities selectively.
 - For example:
 - India has negotiated trade liberalization arrangements with several countries and trade groupings, including pre-FTA level schemes and alternative trade relaxation programs with ASEAN (Association of Southeast Asian Nations), Sri Lanka, and Thailand.
 - India Afghanistan Free Trade Agreement
 - India Bangladesh Free Trade Agreement
 - India Bhutan Free Trade Agreement etc.

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So, let us go one by one. So, the first principle on which the WTO is based is the non-discrimination policy right. What it says, a country should not discriminate between its trading partners. So, a country should not discriminate between its trading partners.

So, the trading partners whoever are there one should not give be giving some you know advantage to one and should not be and on the same product should not be you know creating a discrimination for the other right. Which is also called as the most favored nation policy; that means, whoever if you are giving treatment a favored nation treatment to one, you have to give the same treatment to all the 164 countries or all the member countries right.

So, this policy is was like everybody became a trade partner. So, this was this advantage should be distributed to everybody that is what the most favored nation policy says and it should not discriminate between it is and own foreign products services or nationals.

So, the next you know principle or under the non-discrimination principle is that everybody should treat. The outside products or the imported goods as a domestic good right and they should not be creating a discrimination among them the only exceptions are, but in case of developing countries which are in a growth phase. So, for them it is an exception or regional trade areas and customs unions which are I will explain in the next lecture after this.

So, with that kind of regional integrations right so, regional trade areas free trade areas you must have heard customs union for example, the European Union. So, for these kind of trade blocs basically which are called the trade blocs. So, for them it is an exception, otherwise if there is one favor given to one country it has to be given to others also that is what it says right and treat everybody every imported good as your domestic good.

So, that protectionist behavior has to be removed this is what the WTO tries to ensure. For example, you can see India is trading with many countries by imposing some tariffs on import or export, but according to the WTO we cannot impose such high tariffs on one trading nation and low tariffs on another right. We have to treat them equally if you are a member of WTO you have to treat everybody equally.

The United States gave Vietnam and China the MFN status in 2001, right. So, you know before that there was a serious problem with China and Vietnam and US between Vietnam and US, China and US that the same year China became a WTO member. So, in 2001 they gave the MFN status that is Most Favored Nation status.

In fact, around 29 countries to which this most favored nation status is not given and that was also that has been removed you know as of now by the US and only I think two countries; one is Cuba and the other is North Korea still are under that you know they are exempted or they are not in that most favored nation list policy you know list right otherwise most of the other countries have come into this bracket.

The second principle is and open principle more open to make it more free or more open. So, what it says is lowering trade barriers lowering the trade barriers right so, trade

barriers are something for example, it could be tariff it could be non-tariff barriers we have discussed earlier also. So, tariff are all monetary related policies, tax related policies duties, non-tariffs are basically like rules agreements whatever you can all non-tariff, non-monetary.



So, lowering this trade barriers both tariff and non-tariff on non-tariff right to lower this is one of the most obvious ways of encouraging trade. These barriers include like custom duties and measure such as import bans or quotas that restrict quantities right.

For example, you can see India has negotiated trade liberalization arrangements with several countries and trade groupings including free FTA, Free Trade Association agreements level schemes and alternate trade relaxation programs with ASEAN Association of the Southeast Asian Nations Sri Lanka and Thailand. Similarly, with India and Afghanistan have created a free trade agreement, India – Bangladesh, India and Bhutan. So, what it says is the objective is to lower the trade barriers.

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- **Predictable and transparent:** Foreign companies, investors, and governments should ensure that trade barriers are not arbitrarily raised. Investments with stability and predictability are encouraged, job opportunities are created and consumers can take full advantage of competition – choice and low prices.
For example: India changed its policies regarding foreign direct investment in single brand retail. So Indian Government released a press note for other countries regarding its policy change. Currently 100 per cent FDI is permitted in the sector with certain conditions, including 30 per cent mandatory local sourcing preferably from MSMEs.
- **More competitive:** Discouraging 'unfair' practices, such as export subsidies and dumping products at below cost to gain market share and how governments can respond, in particular by charging additional import duties calculated to compensate for damage caused by unfair trade.
For example: India imposes sanctions on import of tyres from China as it threatens the domestic tyre manufacturing companies sales.
India may cut or eliminate tariffs on 80% of products imported from China under a 16-country free trade agreement
- **Protect the environment:** The WTO's agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health. In other words, members must not use environmental protection measures as a means of introducing a discriminatory trade barrier. (circular economy)



The third point it says is it has to be the principle as per principle of the WTO business or the member nations have to ensure a higher degree of predictability and transparency.

So, the foreign companies, investors and governments should ensure that trade barriers are not arbitrarily reached; that means, suddenly it is for somebody and not for somebody like of a discrimination. So, investments with stability and predictability are encouraged

right, job opportunities are created and consumers can take full advantage of the competition. So, it could be their choice for and the low prices.

So, as per the price advantage they can buy any product from any market not necessarily that own domestic product. So, this is what it tries to make. So, the whole world likes to look like one single market in terms of the WTO, but then you know there are arguments against a for example, the general arguments that goes for anti globalization for example.

This is not as simple as it looks right because; however, equality it may look from outside, but the stronger forces will necessarily have more power with them and they can exploit a situations better in a larger way and the poor countries might not be able to do the same. And, they in the result they might become more poorer and the rich might become more richer. This is the fear of you know all these things.

Example, you see India changes policies regarding FDI in single brand retail right. So, Indian government released a press note for other countries regarding it is policy change. Currently 100 percent FDI is permitted in the sector with certain conditions including 30 percent mandatory local sourcing preferably form the MSMEs.

So, the next point under the WTO principle is to make trade more competitive. So, under this what it says is, it tries to discourage unfair practices right such as export subsidies, dumping products at below cost to gain market share and how governments can respond in particular by charging additional import duties calculated to for compensate for the damage caused by unfair trade.

For example, you see India imposes sanctions on import of tyres from China as it threatens the domestic tyre manufacturing companies sales right. India may cut or eliminate tariffs on 80 percent of products imported from China under a 16 country free trade agreement. So, here this is do not mix it up this is one example where India has been imposing sanctions on the import of tyres from China to just make the cost go up, so that in the domestic players would become more stable or would be to protect the domestic players. So, this is a case.

On the other side, what is happened is, India was asked forced to cut or eliminate the tariffs on 80 percent of the products imported from China under a 16 country free trade

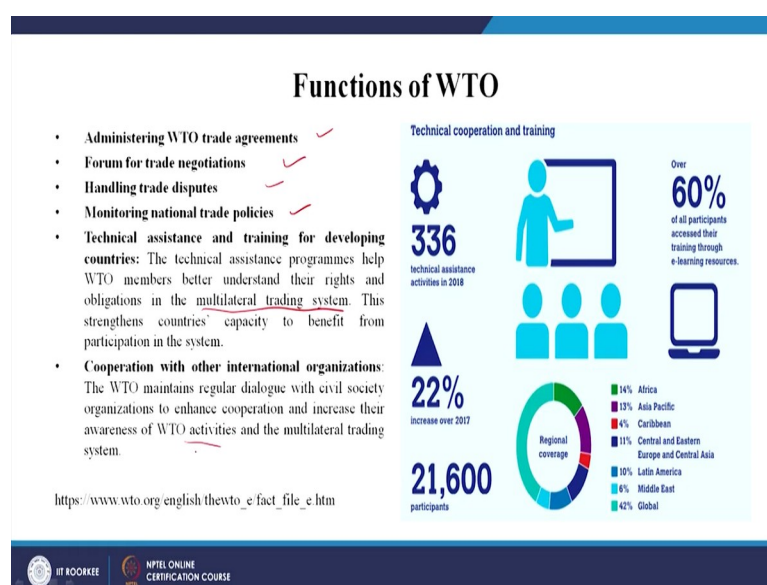
agreement right which happened recently in around 2000 and I think 18 or 19 it has happened right. So, this says that the WTO forces the countries to go for a more fairer trade right and not to you know try to in order to protect the domestic economy they should not go for a unfair trade practices; that means, what?

For example, if somebody is very competitive they would take the advantage they would gain right. So, if you are not being competitive you are trying to be you are just trying to protect your domestic industry by increasing the prices and make it make the other country look you know uncompetitive, then that is wrong. So, that is where the WTO would come into picture and protect the competitive nation.

The last point under the WTO principle is to protect the environment. It says the WTOs agreements permit member should take measures to protect not only the environment, but also public health, animals health and plant health. In other words, members must not use environmental protection measures as a means of introducing a discriminatory trade barrier which is a form of which is talk today is more largely in the circular economy.

When he say or tries to say that you know the modern society has to look into you know using and recycling, reusing of products more and more and not exploiting mother nature. So, that we can continue keeping this natural resources intact for at least our next generations to come right.

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Some of the functions of the WTO now: administering the WTO trade agreements. So, first we discussed the principle now the functions. So, administering the administering the trade agreements forum for trade negotiation, handling the trade dispute, monitoring the trade policies national trade policies and finally, technical assistance and training for developing countries right and cooperation with other international organizations. So, these are some of the functions right.

So, as for example, you see look into in fact, technical assistance when you say let us say technical assistance programs help the WTO members to better understand the rights and obligations in the multilateral trading system. This strengthens the country's capacity to benefit from participation. So, somebody might as an for you know somebody who professes anti-globalization he would feel being a member of the WTO rather is a loss for a country which is not able to compete right and for the larger or the more productive countries they would exploit.

So, this tries to educate everybody that it is not so, that is not the reason right. And, WTO maintains regular dialogue with the civil society organizations to enhance cooperation and increase their awareness of the WTO activities right.

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Structure of WTO

- **Highest authority: the Ministerial Conference** ✓
 - ✓ The topmost decision-making body of the WTO is the Ministerial Conference, which usually meets every two years. It brings together all members of the WTO, all of which are countries or customs unions. The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements.
- **Second level: General Council in three guises** ✓

Day-to-day work in between the ministerial conferences is handled by three bodies:

 - ✓ The General Council ✓
 - ✓ The Dispute Settlement Body ✓
 - ✓ The Trade Policy Review Body ✓

The General Council is the WTO's highest-level decision-making body in Geneva, meeting regularly to carry out the functions of the WTO. It has representatives (usually ambassadors or equivalent) from all member governments and has the authority to act on behalf of the ministerial conference which only meets about every two years. The current chair is Ambassador Sunanta KANGVALKULKIJ (Thailand).

The General Council also meets, under different rules, as the Dispute Settlement Body and as the Trade Policy Review Body.

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So, now apart from the you know functions now which we have already discussed at length the structure of the WTO.



So, the structure is basically it starts with the ministerial conference right, then you have the general council right. The General Council is handled by again you know the day to day work in between the ministerial conferences is handled by three bodies that says the General Council, the dispute settlement body, the trade review trade policy review body right.

So, the General Council is the highest level decision making body in Geneva. It has representatives from all member governments and has the authority to act on behalf of the ministerial conference which meets every two years, right. The current chair is Sunanta Kangvalkulkij of Thailand right. And the General Council meets under different rules as the dispute settlement body and the trade policy review body.

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- **Third level: councils for each broad area of trade, and more**
Three more councils, each handling a different broad area of trade, report to the General Council:
 - ✓ The Council for Trade in Goods (Goods Council)
 - ✓ The Council for Trade in Services (Services Council)
 - ✓ The Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS Council)
- Six other bodies report to the General Council. The scope of their coverage is smaller, so they are “committees”. But they still consist of all WTO members. They cover issues such as trade and development, the environment, regional trading arrangements, and administrative issues.
- **Fourth level: down to the nitty-gritty**
Each of the higher level councils has subsidiary bodies. The Goods Council has 12 subsidiary committees dealing with specific subjects, such as agriculture, market access, subsidies, technical barriers to trade, sanitary and phytosanitary measures, import licensing, customs valuation, and the new WTO Committee on Trade Facilitation.

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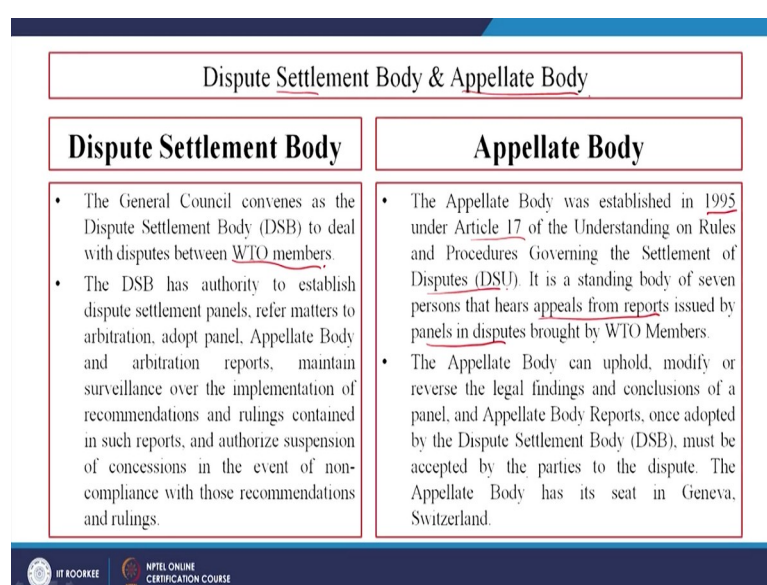
The third level is what it is says is the councils basically. Three more councils each handling a different broad area of trade report to the General Council. So, here you had the General Council right. So, there are three more bodies who report to them – The Council for Trade in Goods, Goods Council; Council for Trade in Services, Services Council; The Council for Trade Related Aspects of Intellectual Property Rights right, TRIPS Council.

Apart from these three then, there are six other bodies which report to the General Council. The scope of their coverage is small. So, they are called committees; they are not councils, but committees. But, they still consists of all WTO members. They cover

issues such as trade and development environment regional trading arrangements and administrative issues.

The fourth level what it says, each of the higher level councils has subsidiary bodies right. The goods council has now 12 subsidiary committees dealing with specific subjects such as agriculture, market access, subsidies, technical barriers to trade, sanitary and phytosanitary measures, import licensing, customs valuation and the new WTO committee on Trade Facilitation right.

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When we talk about the WTO since one of the most important job is the dispute settlement. There are two important bodies under it. What it says? One is a dispute settlement body and the appellate body.

Now, what are these two and what are the difference between them? Let us talk about it. For example, the dispute settlement body the General Council convened as the Dispute Settlement Body as we discussed in the last slide also to deal with disputes between the WTO members.

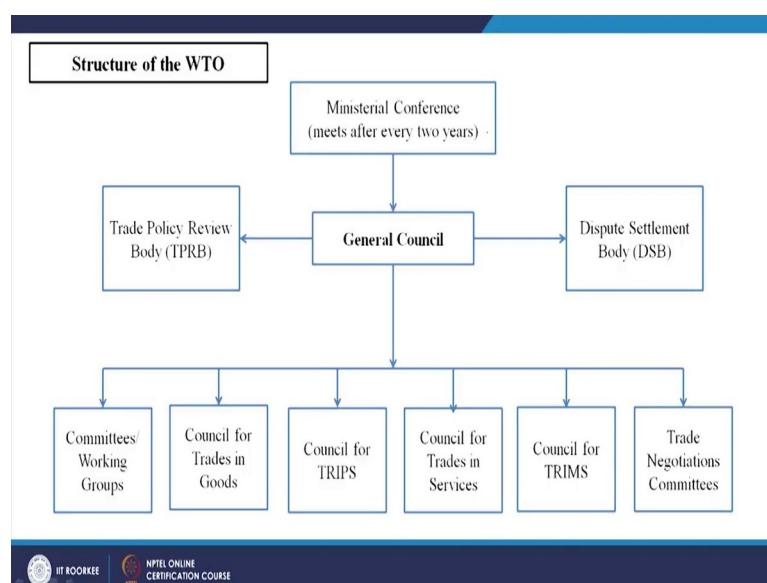
This body has the authority to establish dispute settlement panels right, refer matters to arbitration, adopt panel. Appellate Body and arbitration reports, maintenance surveillance for the implementation and recommendation of the rule and rulings, contained in such reports and authorized suspension and concessions of concessions in

the event of non-compliance with those recommendations and rulings. So, basically it tries to manage the disputes right.

What is the Appellate Body? It was established in 1995 under Article 17 of the understanding on rules and procedures governing the settlement of disputes right. This is a standing body of seven persons that hears appeals from the reports issued by panels which you discussed here in disputes brought by the WTO members.

This body can uphold, modify or reverse the legal findings and conclusions of a panel right, and appellate body reports once adopted by the dispute settlement body. This must be accepted by the parties to the dispute the appellate body has it is seat in Geneva. So, these are the two bodies right. So, this is a dispute settlement body and this is the appellate body. So, this is like it functions you know and finally, it gives a verdict which has to be followed by everybody.

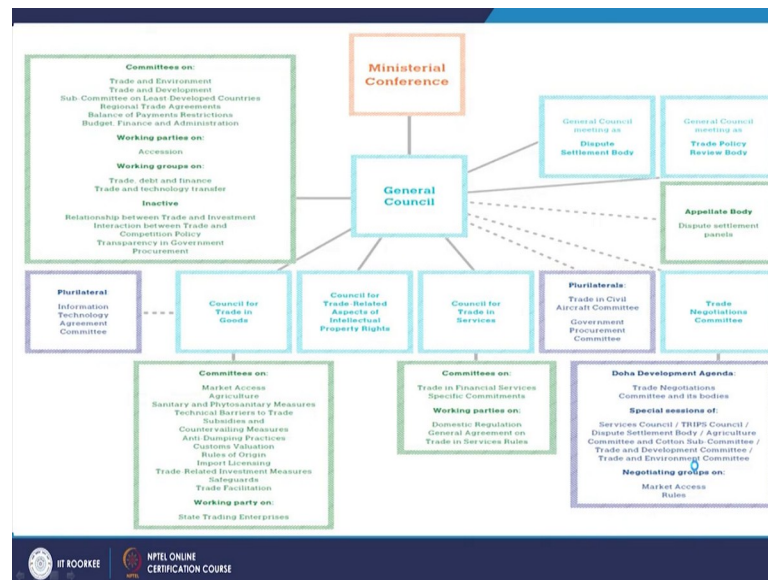
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Now, this is how the structure looks like: ministerial conference meets every two years, then the General Council, it is then the you have the TPRB Trade Policy Review Body, dispute settlement body right and under the council you have committees working groups, council for trade in goods, council for TRIPS intellectual property rights, council for services, TRIMS right investment measures and negotiation committees right.

This was a little if you have a little larger you know outlook it looks something like this.

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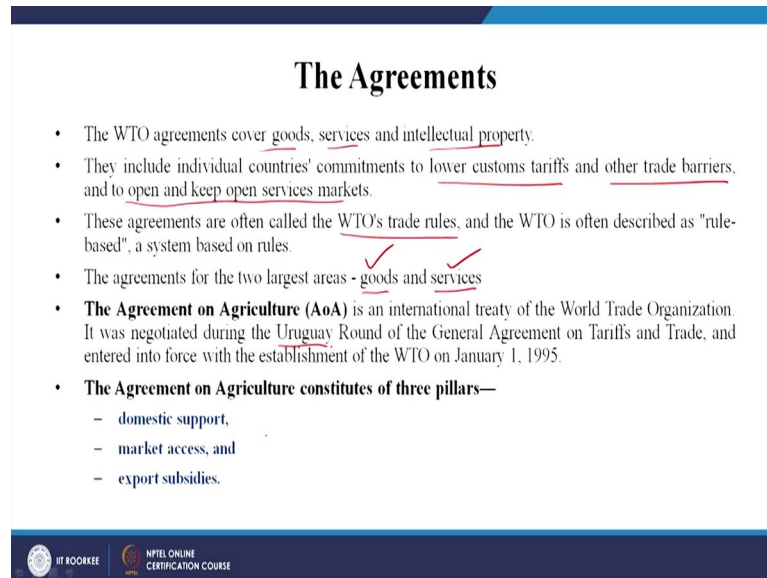
So, right the same thing. So, you this instead of me getting into it this slide is you can go through this slide. So, the conference council so, these are the committees right on different committees and what they are you know what involves what do they look into for example, the committees and market access agriculture, these are all given in details in this slide. So, this is the structure of the WTO right. So, you can have a look at it.

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Some of these are the ministerial conferences which have been held in the past from 1966 to 2020, this is with the recent one right. You can also have a look at it later on and see when these different conferences happen of the WTO.

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The Agreements

- The WTO agreements cover goods, services and intellectual property.
- They include individual countries' commitments to lower customs tariffs and other trade barriers, and to open and keep open services markets.
- These agreements are often called the WTO's trade rules, and the WTO is often described as "rule-based", a system based on rules.
- The agreements for the two largest areas - goods and services
- **The Agreement on Agriculture (AoA)** is an international treaty of the World Trade Organization. It was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, and entered into force with the establishment of the WTO on January 1, 1995.
- **The Agreement on Agriculture constitutes of three pillars—**
 - domestic support,
 - market access, and
 - export subsidies.

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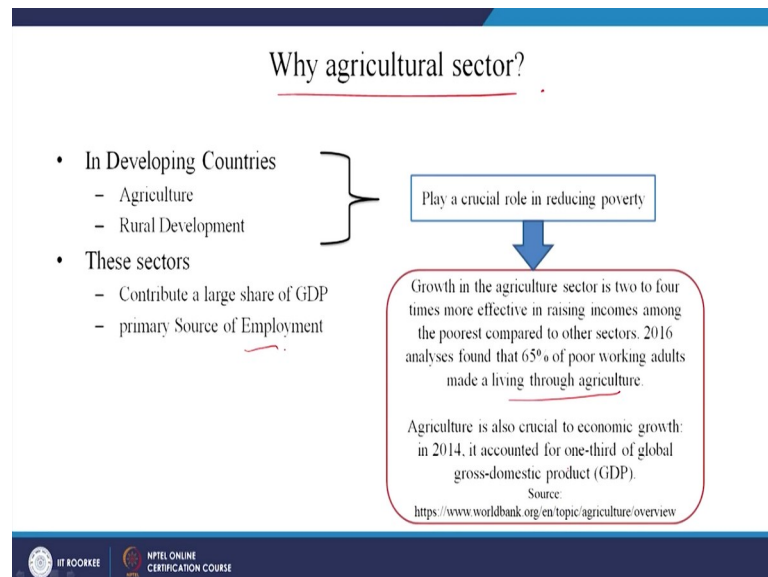
Now, coming to the agreements: The WTO agreements covers goods, services and the intellectual property as we have discussed earlier. They include individual countries commitments to lower customs tariffs and other trade barriers and to open and keep open services markets. So, basically it is to make a lower the tariff the trade barriers basically right.

These agreements are often called WTO trade rules and described as rule based a system based on rules right. So, the agreements for the two largest areas are goods and services. Earlier we said GATT had only goods and no services, WTO included the service as well right.

Now, the Agreement on Agriculture – AoA which is called is an international treaty of the WTO it was negotiated during the Uruguay Round right of the General Agreement on tariffs and trade. So, you remember as I had said that the Uruguay Round was the round which came after the GATT and from here the birth of WTO happened.

The agreement on agriculture constitutes of three pillars. So, what it says? The agreement on agriculture was made to look into to take into you know the agriculture and why agriculture will discuss first of all let us see what are the three pillars.

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So, first of all you know the three pillars as it says is the domestic support, market access and export subsidies. We will discuss at length all three of them.

First of all, why the agriculture sector? Why this was so important? In developing countries you can see this agriculture and rural development the play a very crucial role in reducing poverty. Obviously, in countries like India, Bangladesh, Pakistan you can think any other country Philippines. These sectors contribute a large share of the GDP and there are primary source of employment. So, the growth in the agriculture sector is 2 to 4 times more effective in raising incomes among the poorest compared to other sectors; it has been seen through research.

In 2016, analysis found that 65 percent of poor working adults made a living through agriculture and it is also crucial to the economic growth. In 2014, it accounted for one third of the global GDP. So, that is why the WTO thought of right having a agreement on agriculture right, yeah.

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Uruguay Round

- It took seven and a half years, 123 countries took part and it covered almost all trade, from toothbrushes to pleasure boats, from banking to telecommunications, from the genes of wild rice to AIDS treatments. It was quite simply the largest trade negotiation ever in history.
- Following the Uruguay round negotiations, all the agricultural products were brought under AOA.
- The Agreement is made up of Three pillars (Market access, Domestic support and Export competition).
- Except LDC, all the WTO members were required to make commitments in all these areas in order to liberalize agricultural trade.
- Developing countries were given a limited element of special and differential treatment (S&DT).

Three "Pillars" of the Agreement on Agriculture

1 Market Access	2 Domestic Support	3 Export Competition
Article 4, 5 and Annex 5	Article 3, 6, 7 and Annexes 2, 3, 4	Article 3, and 8 – 11
Tariffs: <ul style="list-style-type: none"> • Tariffication • Reduction • Commitments Tariff Rate Quotas Special Safeguards	Green Box Blue Box Development Box Amber Box <ul style="list-style-type: none"> • De minimis • Commitments 	Export Subsidies Anti-Circumvention <ul style="list-style-type: none"> • Food aid • Export credits

So, in the Uruguay Round where this was brought into discussion first. So, as I had said earlier the Uruguay Round was the one which paved way for the WTO here. This was around which took seven and a half years 123 countries took part and they covered almost all trade from toothbrush, to pleasure boats, banking from genes of wild rice to AIDS treatment everything it was discussed.

And, it is quite simply was the largest trade negotiation ever in history right the Uruguay Round right. So, there was the Doha round then the Uruguay Round. So, the following the Uruguay Round negotiation the agricultural products were brought under this AoA right.

The agreement is made on three pillars as we had discussed market, domestic and export competition. Except lesser developed countries, all the WTO members were required to make commitments in all these areas in order to liberalize agricultural trade right.

Developing countries were given as limited element of special and differential treatment. Some special treatment was given to those some of the poor countries ok. So, these are the three agreement on agriculture are stands on three pillars. So, the first pillar, second pillar and third pillar let us say. So, the articles are given you can go through these articles and you can check also if you want to go into deep right.

So, I hope today we have understood about the inception of the WTO and the GATT and the Uruguay Round, the principles of the WTO and some of its functions right. So, we also have just entered into the agreement and agriculture and because of the paucity of time we will stop here. And, in the next lecture we will continue from here ok.

Thank you very much.