

The World Trade Organization

The World Trade Organization (WTO) was established on January 1, 1995, following the ratification of the Uruguay Round Agreements, and today includes 164 members. It succeeded the 1947 General Agreement on Tariffs and Trade (GATT), created as part of the post-WWII effort to build a stable, open international trading system. The WTO has three basic functions: (1) administering its agreements; (2) serving as a negotiating forum for new trade liberalization and rules; and (3) providing a mechanism to settle disputes. The multiple WTO agreements cover trade in goods, services, and agriculture; remove tariff and nontariff barriers; and establish rules on government practices that directly relate to trade, e.g., trade remedies, technical barriers to trade (TBT), intellectual property rights (IPR), and government procurement. The agreements are based on the principles of nondiscrimination among countries—most-favored nation (MFN) treatment, national treatment, fair competition, and transparency of trade rules and regulations. Some exceptions are allowed, such as preferential treatment for developing countries and regional and bilateral trade agreements outside the WTO.

The GATT/WTO system over time has led to a significant reduction of trade barriers, supported trade expansion and economic growth, and helped manage trade frictions. At the same time, the WTO faces serious challenges. One key concern is that the WTO is losing relevance due to its inability to adapt to the modern global economy with members' failure to negotiate a successful round of major trade liberalization since 1994 and more recently, increased measures that may violate core trade rules. Members have proposed reforms to the institution in attempts to safeguard and improve it. Recent challenges, such as the Coronavirus Disease 2019 (COVID-19) pandemic and Russia's 2022 invasion of Ukraine have caused disruptions to global trade and prompted trade-related responses by WTO members.

Ministerial Conferences (MC) are generally seen as action-forcing events for the WTO. At the last MC11 in 2017, no major deliverables were announced, leaving the stakes high for MC12, to be held in mid-June 2022 after several delays due to COVID-19. Prospects for major decisions remain uncertain, though members have committed to make progress on issues, such as fisheries subsidies negotiations, trade responses to the pandemic, and digital trade.

Congress has recognized the WTO as the “foundation of the global trading system,” and plays a legislative and oversight role over WTO agreements. Some Members have expressed support for WTO reforms and U.S. leadership. As debates over the WTO's future intensify, several issues may be of interest to Congress, including WTO agreements' effects on the U.S. economy, outcomes of reform and negotiation efforts, and the value of U.S. membership and leadership.

The Doha Round

The Doha Development Agenda, the latest “round” of multilateral trade negotiations, was launched in 2001, but ended in stalemate, with no clear path forward (**Table 1**). The WTO's large and diverse membership and the “single undertaking” approach made consensus on the broad Doha mandate difficult. Talks were characterized by persistent differences among the United States, European Union (EU), and developing countries across major issues. Developing countries sought reduction of agriculture tariffs and subsidies by developed countries, nonreciprocal market access for manufacturing goods, and protection for services industries. Developed countries sought reciprocal trade liberalization, especially access to more advanced developing countries' industrial and services sectors, while retaining some protection for agriculture. Agriculture, where multilateral solutions arguably remain ideal, is among the thorniest issues left on the Doha agenda. In 2015, members agreed to limited deals, including on export subsidies and measures for least developed countries.

Doha's lasting legacy may be the successful negotiation of the Trade Facilitation Agreement (TFA), which entered into force in 2017 and aims to remove customs obstacles and inefficiencies at the border.

Table 1. GATT/WTO Rounds

Year	Name	Subjects covered	Countries
1947-1961	Geneva, Annecy, Torquay, Geneva II, Dillon	5 rounds of tariff reductions	23 (1947); 26 (1961)
1964-1967	Kennedy	Tariffs and antidumping measures	62
1973-1979	Tokyo	Tariffs, antidumping, subsidies, TBT, government procurement	102
1986-1994	Uruguay	Tariffs, nontariff measures, rules, services, IPR, dispute settlement, textiles, agriculture, WTO institution	123
2001-2015*	Doha	Tariffs, nontariff measures, agriculture, services, trade facilitation, trade remedies, and development	142 (2001); 164 (current)

Source: WTO.

Notes: * In 2015, WTO members failed to reaffirm Doha's mandates and many observers considered the round to be effectively over.

Plurilateral Initiatives

While multilateral efforts have progressed slowly, several plurilateral talks are underway within and around the WTO. Past agreements with U.S. membership cover key sectors and are viewed as potential models for other efforts.

- **Government Procurement Agreement (GPA).**
Provides market access for various nondefense

government projects to its 48 signatories. The revised 2014 GPA expanded market access and covered entities.

- **Information Technology Agreement (ITA).** A subset of members agreed in 2015 to expand product coverage for tariff-free treatment in the 1996 ITA. The expansion eliminates tariffs on 201 additional technology goods, applied on a MFN basis to all WTO members.
- **Joint Initiative on Services Domestic Regulation.** Concluded in December 2021, 67 members agreed to facilitate services trade by improving transparency on domestic processes and addressing regulatory barriers.

Other plurilateral negotiations of U.S. interest include the joint initiative on e-commerce with over 80 members, aiming to conclude an agreement in 2022. U.S. priorities include disciplines on cross-border data flows and bans on data localization and forced technology transfer. The Trade and Environmental Sustainability Structured Discussions (TESSD) among more than 70 members aims to advance a work plan on trade-related climate measures and environmental goods and services. Some members raise concerns that plurilateral approaches, while useful, could potentially marginalize non-participating countries or allow for free riders who benefit from others' commitments.

Ongoing Challenges

Since the Doha Round, intractable issues and active debate have characterized the WTO. Many members and observers concur that the WTO must adopt reforms to remain an effective institution, in terms of its negotiating, monitoring, and dispute settlement (DS) functions. Some members have also called on the WTO to more effectively address the trade policy challenges that emerged from the pandemic.

Negotiating Agenda. Some issues on the Doha agenda, ideally negotiated multilaterally, remain contentious and may founder for want of a negotiating venue, e.g., attempts to discipline agricultural subsidies or resolve concerns on public stockholding programs. In addition, since 1995, new trade barriers, technology advances, and other issues have emerged. Several countries have sought to incorporate issues, such as digital trade, state-owned enterprises, and climate change that pose challenges to the trading system. Some, including the United States, point to plurilateral deals as a possible way forward to address new issues.

More broadly, U.S. officials contend that WTO rules were not designed to effectively handle the challenges of emerging markets like China that are not fully-fledged market economies and where the state plays a major role. To this end, U.S.-EU-Japan talks, recently restarted, aim to strengthen rules on such issues, including on subsidies.

MC12 provides an opportunity for decisions on new rules and taking stock of ongoing negotiations. WTO members have tempered expectations, however, signaling persistent differences may prevent major announcements. In addition, some members have been unwilling to negotiate in meetings with Russia, given the ongoing war in Ukraine. Many view successful conclusion of the fisheries subsidies negotiations as important to upholding the WTO's legitimacy, in particular as the only multilateral negotiation underway. For more on MC12, see CRS In Focus IF11513.

COVID-19. WTO members face challenges in responding to the global trade and economic disruptions from COVID-19, which has tested coordination in global trade policies, upset supply chains, and resulted in trade protectionism. The WTO committed to work to minimize disruptions to trade, and encouraged WTO members to notify new trade measures. At the same time, many countries have reaffirmed the trading system, lifted temporary restrictions, and view the WTO as playing an important role in tackling trade policy challenges that have emerged. Some members advocate for a plurilateral deal on medical goods. Delay in production and distribution of COVID-19 vaccines led to calls by some countries to waive certain IPR rules on vaccines, which the Biden Administration generally supports. In May 2022, following talks among the United States, EU, India and South Africa, a compromise proposal was issued, but debate over the final terms remains ongoing and contentious. See CRS In Focus IF11858.

WTO Reform. The Biden Administration has indicated interest in WTO reforms so that the institution “empowers workers, protects the environment, and promotes equitable development.” It points to the need to update all three WTO pillars to increase flexibility and strengthen transparency to address global challenges. Some U.S. frustrations are not new and are shared by Members of Congress, other WTO members and past U.S. Administrations, but approaches to solutions differ. Several proposals under debate, e.g., with respect to transparency and notification requirements, and special and differential treatment for developing countries.

Dispute Settlement. To supporters, the DS system is considered a WTO success. The United States has been an active user of the system (**Table 2**). However, some are concerned about the DS system's continued legitimacy absent reforms and if no new WTO agreements are reached, thus preventing new trade issues from being adjudicated.

Table 2. WTO Dispute Settlement

Total cases filed—all parties	612
U.S. as Complainant	124
U.S. as Respondent	156

Source: WTO, as of May 2022.

Successive U.S. administrations have voiced major concerns with DS, including what they consider “judicial overreach” in panel decisions, especially in the area of trade remedies. To spur reform, the Trump Administration blocked appointment of new jurists to the seven-member Appellate Body (AB), which reviews appeals of disputes, a practice the Biden Administration has continued. As a result, the AB ceased to function in late 2019. U.S. trade officials have thus far rejected proposed AB reforms by other members. In 2020, the EU and some others put into effect an appeal arbitration arrangement to hear their cases.

Unilateral Enforcement Actions. Some observers are concerned that U.S. tariffs imposed by President Trump and maintained under President Biden, and counter-tariffs by other countries are further straining the WTO. Related WTO disputes are pending DS decisions. In one involving U.S. tariffs on China, a panel ruled in China's favor. Some express concern that unilateral measures, some pursued in

the name of national or economic security, may undermine the WTO's credibility and lead to new trade restrictions. While WTO rules offer flexibility for temporary measures justified by national security or health crises, the spread of pandemic-related trade restrictions amplified concerns.

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