



Factsheet

Basic principles of the WTO

(status: 11.10.2013)

Liberalisation / dismantling of trade barriers

The overall objective of the WTO is to reduce barriers to trade. A distinction is made between tariff barriers (customs duties) and non-tariff barriers such as quantitative trade restrictions, import and export licences, subsidies and discriminatory regulations for safety, environmental and health protection. While negotiations once focused on the dismantling of tariffs, the establishment of the WTO in 1995 increasingly brought non-tariff trade barriers to the fore in multilateral efforts for greater liberalisation.

Reciprocity

Negotiations in the WTO are guided by the principle of reciprocity, meaning that concessions granted to each other should be equally and fairly distributed. An exception is made for developing countries, from which developed countries do not demand equivalent concessions.

Based on the principle of reciprocity, the WTO establishes a system of multilateral concessions. Each WTO member is bound to certain framework conditions as a result of multilateral trade negotiations, such as a certain percentage of binding tariffs for the import of a product. These trade liberalisations agreed within the framework of the WTO cannot be unilaterally revoked.

Non-discrimination

Non-discrimination is the guiding principle of the WTO and contains two aspects:

- The **principle of most-favoured nation (MFN)** stipulates that all WTO members must be treated equally. If a WTO member grants trade facilitation to another state (WTO member or a third country), it must then grant it to all WTO members. (Important exceptions: free trade agreements and customs unions that meet the requirements of Art. XXIV GATT or Art. V GATS as well as tariff preferences for developing countries.)
- The **principle of national treatment** means not discriminating between similar domestic and foreign goods. For example, each WTO member is required to apply the same rules to an imported product as to a similar product produced domestically.

Transparency and predictability of market access

Trade measures should be predictable and may not be taken arbitrarily. In principle, only customs duties are permitted as trade regulation measures. Quantitative import restrictions are generally prohibited. This is because price measures are more transparent than quantity measures and because their effect on international trade is less drastic. The tariff rate reductions decided during the negotiating rounds are recorded in 'country lists'. In relation to market access and national treatment for services, country lists have also been created which show which country grants market access (or national treatment) and under which conditions. Mutual reviews of national trade policies ('trade policy reviews'), carried out on a regular basis, also contribute to better transparency.

However, WTO law also recognises that trade restrictions may be necessary (with the underlying objective of 'trade liberalisation'), for example for reasons of health, the environment or public order and safety, or if exceptional circumstances require temporary protection of the domestic economy. Such restrictions must neither be arbitrary nor have a (hidden) protectionist background.