

World Trade Organization

Welcome

Dear Delegates,

Welcome to BUSUN 2009 and the World Trade Organization (WTO). My name is Mike Perchonok and I am a sophomore at Brown University. In addition to being your chair this year, I am also the VP of external affairs for the Brown Model UN club. I plan on concentrating in Applied Mathematics-Economics. Outside of Model UN, I am also the VP of Mentorship of the Brown Entrepreneurship Program (EP). Some of my other activities include the Brown Investment Group, Undergraduate Finance Board (UFB), and the US-Russia relations group. Originally, I am from Boston and therefore, I am a die-hard Red Sox fan.

I am very excited to be chairing this committee. The three topics we will be discussing at length are all very relevant to international issues today. Especially in light of the recent financial crisis, these topics will allow us to explore the workings of the WTO. During this conference you will learn to work with differing opinions and ideologies while trying to work out a compromise to most effectively deal with the concrete problem on hand; a daunting task, however, one I am sure you can all handle.

To be able to truly engage in knowledgeable debate, you must first learn about your respective positions. This may seem very difficult at first, but once you begin your search, you will see that the process will seem to fly by. The best way to begin your preparation for BUSUN is to start by reading broadly; both about the topics and the country you represent. Sources like CNN, the BBC, the WTO website itself and online encyclopedias will be useful in this stage. Next, feel free to use some of the sources I will provide for you in this guide, and don't be afraid to find your own sources. This will help you intimately know the issues of each topic and their relevance to the country you represent. Happy researching!

Finally, I would like to urge you all to enjoy your time at Brown University. I enjoy being a student here and if you have any questions about Brown or life at Brown please feel free to ask me. Also, do not hesitate to e-mail me with any questions about writing your position papers or researching your positions.

Sincerely,
Mike Perchonok
WTO Chair
WTO@busun.net

Committee History

The WTO is the only international body that is charged with governing and facilitating trade among the nations of the world. The WTO also has the important task of acting as a mediator for all member nations. It is one of the youngest world agencies; founded in 1995. However, the WTO's predecessor, the General Agreement of Tariffs and Trade (GATT), was established right after WWII. The WTO today uses the agreements and rules created by GATT. The main benefit of the WTO to the international economy is the negotiation of reduced tariffs and fair trade laws that member nations agree to abide by.

The WTO has over 150 member nations with 30 more petitioning for membership. Therefore, nearly all of international trade is bound to the rules of the WTO. Special treatment is given to less-developed members of WTO, in order to encourage growth and development. Every nation is represented in the highest body of the WTO, the Ministerial Conference, which meets every two years. There exists a hierarchy of councils that report to the Ministerial Conference to settle any inconsistencies or disputes.

Negotiations within the WTO are conducted through trade dialogues called rounds. The current round of negotiations is called the Doha Round and it began in November of 2001.

Topic 1: The Effect of Protectionism on Trade

Background

For the international economy to grow and develop, nations must open their borders to imports across all industries. In light of the current financial crisis, it is more important than ever for individual nations to resist the urge to protect failing industries at the cost of other nations' exports. The aim of the WTO, with all of its agreements and regulations, is to facilitate and grow international trade channels, not stifle them with tariffs and non-tariff measures. Ideally, the world's nations should trade with as little barriers to trade as possible.

Every single tariff and non-tariff measure increase blocks goods from being imported from countries that can produce the goods at a cheaper price. Governments choose to have such trade barriers in order to protect industries and in turn, jobs, in their nation. These measures, although sometimes necessary, always hinder trade growth and cooperation between countries. The WTO tariff agreements and treaties aim at mutually reducing the levels of tariffs blocking trade.

The international financial crisis has exponentially intensified the focus on protectionism in the international community. Most industrialized nations, including the US and EU nations, have instituted numerous restrictions and barriers on imports to protect the jobs and incomes of its citizens. At first glance, this option seems to be very desirable by individual nations, but from history, most notably in the aftermath of The Great Depression in 1929, this not only hurts the global economy, but also the domestic economy in the long run. Even with this knowledge under economists' fingertips, historically, protectionism increases during times of recession and economic/political instability, such as war. The WTO and its director, Pascal Lamy, continue to urge nations to not fall into this trap.

Current Situation

Over the past year, much of the efforts of the WTO have been unsuccessful. Trade barriers have been growing in response to the slowing international economy that arose from the financial crisis. Protectionism has begun to run rampant on the world stage. Failing industries, from car manufacturers to shoe makers, are being propped up by their governments with protective tariffs. While these measures help preserve national industries, these protectionist measures can be devastating to emerging and developing markets that rely greatly on exports to industrialized nations for revenue.

The increase in protectionism in countries has shown a significant impact on their domestic economies. In many cases, the raised tariffs or imposed quotas worked to save hundreds or even thousands of jobs within that nation. In some extreme cases, nations were even able to prop-up complete industries and large corporations. For example, the automotive industries of the US and France were hit hard by the crisis. Both countries choose to provide billions of dollars in loans and aid to the struggling industries. This saved thousands upon thousands of jobs within the US and France, but not without some harsh criticisms. These loans were not a direct protectionist move, but they aided in keeping demand for domestic automobiles high while snubbing foreign manufacturers. As a result, workers in the auto industries of these countries and other industries in countries all over the globe have felt the saving grace from their governments.

What does protectionism mean for exporting countries that are faced with these harsher measures? Tariffs make it more expensive for exporting nations to do what their business model is based on: export. In a

recession, demand needs to increase to stimulate production, but this is very difficult to achieve if prices are raised for firms that rely on exports for revenue. This causes demand to decrease for those firms because they cannot compete with firms in the country where the tariff is being levied. If those firms cannot export, they cannot sell as many products, which in turn stifles the economy even more. In fact, Pascal Lamy himself, in a recent report stated that if the trend of protectionism is not reversed, the recession may worsen and will be drawn out even longer.

In that same report, Lamy detailed numerous examples of countries adopting protectionist policies in the wake of the crisis. I urge you to read up on these measures taken by governments and note the various approaches to dealing with the crisis. The United States is a leader in such measures, imposing tariffs on hundreds of goods. The WTO's goal is reduce these measures through negotiation and cooperation, but many nations fear the effect of having a free economy in such a harsh economic climate. As such, economists predict that the world economy will shrink by 9% in 2009; the largest drop since World War II.

Bloc Positions

Russia, India, United States, France, EU, Argentina and other industrialized nations: The inability to compete with labor costs in developing countries has driven these nations to adopt protectionist policies. They impose tariffs and other non-tariff measures to protect jobs and stimulate production in struggling industries.

China, Brazil, and some other developing nations: Have actually taken some measures to relieve trade barriers. Brazil has even gone as far as to give loans to exporters. However, their economies still are not completely open.

Questions To Consider

1. With so many nations adopting protectionist policies during the aftermath of the financial crisis, how can the WTO or another international body convince them that it is in their best interest to abandon those policies?
2. How would you respond to a nation that would lose thousands of jobs by removing a tariff? Would you expect a nation to follow through with such a plan that would hurt its own citizens?
3. What role, if any, do you foresee the WTO playing the protectionism debate? Does the body have any authority to change the policies of their member nations? If so, what is their best course of action?

4. In such a harsh economic crisis, can the abstract notion of global economic health justify the suffering of citizens in affected industries?

Helpful Resources

- WTO Details Rising Protectionism <http://online.wsj.com/article/SB123808014186248481.html>
- Protectionism on the Rise, Endangering Recovery http://www.irrawaddy.org/article.php?art_id=15378
- Protectionism <http://www.britannica.com/EBchecked/topic/479643/protectionism>
- Protectionism and Diversification in the US and South America <http://www.coha.org/2009/03/global-recession-protectionism-and-diversification-in-the-us-and-south-america/>
- French Auto Bail-out Plan not Protectionist <http://www.euractiv.com/en/transport/french-auto-bail-plan-protectionist-fillon/article-179406>

Topic 2: WTO and the Environment

Background

From the beginnings of the WTO, the environment has been central focus of debate. To quote the Agreement that established the WTO, it is the WTO's duty to pursue "the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development".

This clause has sparked numerous controversies. Some believe that the trade policies of the WTO hinder environmental sustainability, while others praise its efforts. The main forum for debate on environmental issues in the WTO is the Committee on Trade and Environment (CTE). The CTE negotiations have created several environmentally friendly agreements, but at times, they may conflict with other multinational environmental accords, for example, The Kyoto Treaty. The issue of the environment is always a highly controversial subject because it transcends all borders.

Current Situation

The current round of WTO negotiations, the Doha Round, has taken great strides to incorporate the environment in meaningful debate. Debate has focused on incorporating WTO mandates and trade obligations with other international agreements reached to protect the environment. Discussions over how to better leverage and utilize the world's resources while having as little an impact as possible have also occurred. Negotiations also featured concrete environmental negotiations concerning issues such as agriculture and fishing. This all goes to show that the WTO and its member nations seem to have a genuine concern for the state of the environment.

Member nations are even allowed to uphold environmental standards on imports as long as they comply with the Agreement on Technical Barriers to Trade. Therefore, environmentalism is given the same consideration in the WTO as health and safety standards. The WTO has found that trade can be a mode of improving the overall environmental quality. From basic economics, we can see that firms have an incentive to utilize every resource to its maximum potential, but over-utilization can lead to a tragedy of the commons (Google this if you don't know what it means) in epic proportions. This is why the WTO has continually pushed careful agreements in areas such as agriculture, fishing, and deforestation.

The WTO has not been able to elude harsh criticisms from environmental circles. Some believe that the organization as a whole is fundamentally contrary to the goals of the environmental movement. They believe that the basic aim of the WTO, to open trade and increase economic production clearly undermines the negative environmental effects large economies of scale have on the environment. For example, the pollution from large factories clearly contributes to global warming. Detractors of the WTO do not see how the WTO could possibly act as an environmental protection agency while focusing on the maximization of the global economy.

Questions to Consider

1. Do you believe that the WTO does enough to impact the environment positively? If so, how can discrepancies with international environmental agreements be repaired? If not, what other actions could it take while still being true to the overall goal of the organization?
2. Some environmentalists argue that the implicit goal of

maximization of trade and economic growth is in direct conflict with the goals of the environmental movement. Do you think this is so? Can these two sides ever be reconciled? If so, how?

- Does the WTO even have any right/need to concern itself with environmental issues? Should other international bodies and agreements deal with the environment? Why?

Helpful Resources

- Trade and Environment
http://www.wto.org/english/tratop_e/envir_e/envt_intro_e.htm
- Global Trade Negotiations, Environment
<http://www.cid.harvard.edu/cidtrade/issues/environment.html>
- Environmental Cooperation and Trade
<http://www.gdrc.org/sustbiz/wto1.html>
- Globalization without Representation
<http://www.sierraclub.org/trade/summit/factsa.asp>

Topic 3: Reevaluation of the TRIPS Agreement

Background

The WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was originally negotiated at the 1986-1994 Uruguay Round. It was the first international agreement of any kind to recognize intellectual property. The agreement covered these five broad areas:

- How basic principles of the trading system and other international intellectual property agreements should be applied
- How to give adequate protection to intellectual property rights
- How countries should enforce those rights adequately in their own territories
- How to settle disputes on intellectual property between members of the WTO
- Special transitional arrangements during the period when the new system is being introduced.

This agreement is meant to balance out the long-term positives of intellectual property rights with the short-run negatives. It provides incentives for inventors to create these goods or products because they will be able to use them to earn money for it. After the expiration of the

patent, the good enters the public domain, when it becomes much more accessible. The WTO also created a strict enforcement system where countries that violate TRIPS can face hard sanctions.

Current Status

Such protection of intellectual property has created a very controversial debate in one specific area of the agreement's control: pharmaceuticals. The patents of drugs are covered under the TRIPS agreement, but this internationally hurts developing countries because they cannot afford name-brand pharmaceutical drugs. People argue that developing countries, such as those in the African Group (member nations in Africa), would normally have weaker intellectual property laws and therefore, should be allowed to manufacture generic drugs. Furthermore, it has been argued the public health is too important to abide by the artificial restrictions places by TRIPS.

Most scrutiny is applied to the AIDS epidemic in Africa. The Doha Round issued a declaration that TRIPS did not apply to pharmaceutical drugs in the least-developed member nations. This exemption has been granted through 2016 on the basis that these drugs are used for public health reasons. However, some people feel that this is not enough; they believe that TRIPS should be renegotiated completely.

WTO leaders are very hesitant to scrap the intellectual property protection on pharmaceuticals. These leaders fear that if they take such a drastic step, drug manufacturers will not have incentives to produce newer and better drugs. Right now, the way that generic drugs are permitted into a country is by compulsory license on the drug manufacturer. This means that producers in the developing state can produce the drugs if they are to be primarily used domestically. This is all well and good, but some poorer countries do not even have the resources to produce these generic drugs.

Unless TRIPS is renegotiated or reworded, the WTO may never grant full generic drug rights to developing nations. The biggest fear of proponents of renegotiation is that generic drug manufacturing in developing countries does not ruin the patent-protected monopolies of manufacturers in their home countries. If this can be assured, epidemic-stricken areas of poverty might be able to receive the treatments they need without impacting the success of the drug inventor.

Bloc Positions

US, EU, other industrialized member states: Do not want to renegotiate TRIPS because they want to keep drug manufacturing a protected intellectual property. They are sympathetic to the developing world's cause, but know that tough decisions must be made in order to protect the long-run benefits.

African Group nations and other developing member states: Desperately want and need access to cheap drugs that can help diseases from AIDS to Malaria. Want to renegotiate TRIPS, but do not have the lobbying skills to accomplish this.

WHO, OXFAM, and NGOs: Want a renegotiation of TRIPS so that Africa and other epidemic-stricken areas can get the medicine they need, They attempt to petition WTO to entertain the idea of a renegotiation.

Questions to Consider

4. Many advocates of the current TRIPS agreement believe that changes would distort incentives to produce valuable intellectual property. Is this a legitimate argument? Is it worth the global health effects to enforce it?
5. What arguments do advocates of change have for TRIPS renegotiation? Are they legitimate or will they hurt everyone in the long run?
6. How can the WTO strike a balance between economic incentives and human rights?

Helpful Resources

- WTO and the TRIPS Agreement
http://www.who.int/medicines/areas/policy/wto_trips/en/index.html
- TRIPS
http://www.wto.org/english/tratop_e/trips_e/trips_e.htm
- Intellectual Property: protection and enforcement
http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm7_e.htm
- http://www.oxfamamerica.org/whatwedo/issues_we_work_on/trade/news_publications/trips/art5387.html