

## World Trade Organization

### Welcome

Dear Delegates,

Hello and welcome to BUSUN 2010 as delegates to the World Trade Organization.

My name is Margaret Yi, and I will be the Chair of this committee. I am currently a junior concentrating in Economics, and I have been involved in Model U.N. since my freshman year at Brown. I was Director General for BUSUN '09, and director of the EU committee in '08.

This guide is meant to serve as a basic background of the topics and issues to be covered at the actual conference. I encourage you to research extensively on the issues and come prepared with a clear idea as to your country's positions or views on each of these topics. It is also important that you not only be able to debate these positions in committee, but also provide practical solutions and suggestions to resolve these issues. Be sure that your sources are reputable and reliable. Also, please keep in mind that this guide was written some time before the actual conference, so it is important to keep track of any updates and new developments that may have occurred.

I look forward to working with all of you in November. In the meantime, enjoy your research; while it may initially seem daunting or tedious, I've personally found writing position papers to be a great way to organize my thoughts and to prepare for conferences.

If you have any questions or comments, please don't hesitate to contact me at [WTO@busun.net](mailto:WTO@busun.net).

Cheers,

Margaret Yi  
WTO Chair '10  
[WTO@busun.net](mailto:WTO@busun.net)

### Committee History

The World Trade Organization was officially established on January 1, 1995, succeeding the General Agreement on Tariffs and Trade (GATT) as the central world organization dealing with global trade issues.

One of the central functions of the WTO is to act as a negotiating forum where countries can come together and negotiate with the goal of helping trade "flow smoothly, freely, fairly, and predictably."<sup>1</sup> Much of the WTO's framework for negotiations came from agreements and principles set forth by GATT and various trade negotiations under GATT.

The WTO applies the standards and rules as set forth by the WTO agreements to resolve issues of international commerce and settle trade disputes. These agreements were negotiated and ratified by the majority of trading nations and are binding for the countries that signed them, ensuring that there is a clear, stable policy for international trade.

The WTO agreements not only deal with trade itself, but also with the indirect effects of domestic economic policies and political, social, and environmental issues upon trade. There are a few fundamental principles at the core of these agreements.

The first is trade without discrimination, which concerns equality among trading partners and equality in the treatment of foreign and domestic goods. The WTO encourages trade by lowering trade barriers, such as tariffs and quotas, through negotiations and progressive trade policies. However, this should not be

confused with free trade, because the organization does allow limited forms of protectionism. Above all, any member nation's trade policies should reflect an effort towards fair competition.

Another fundamental principle at the core of WTO agreements is binding and transparency in trade, which promotes stability and predictability in the international market. In the WTO, countries are bound to certain trade commitments and at times required to disclose their trade policies and practices.

Lastly, the WTO provides and encourages economic development and reform in the form of economic and technical assistance to developing countries. These nations are also aided by their wealthier counterparts through decreased trade barriers and financial support.

As of July 2008, the WTO consists of 153 members, 30 of which are observers who are currently negotiating membership. Developing nations and nations in transition to market economies make up over three quarters of WTO members.<sup>2</sup> Together, these nations make up 97% of world trade.<sup>3</sup>

<sup>1</sup>[http://www.wto.org/english/thewto\\_e/whatis\\_e/inbrief\\_e/inbr00\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr00_e.htm)

<sup>2</sup>[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact2\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm)

<sup>3</sup>[http://www.wto.org/english/thewto\\_e/whatis\\_e/inbrief\\_e/inbr02\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr02_e.htm)

## Topic 1: Agricultural Tariffs and Subsidies

### Background

Agricultural tariffs and subsidies continue to be a contentious and controversial global issue, often pitting wealthier, developed nations against their poorer counterparts.

Because they can afford it, wealthier nations spend billions each year subsidizing their agricultural sector. For the E.U., subsidies comprise about 40% of its budget, with individual subsidies reaching up to \$223 million.<sup>1</sup> Farm subsidies in the U.S. topped \$15.4 billion in 2009.<sup>2</sup> On the other hand, poorer nations try to protect their farmers by implementing tariffs that are usually higher than those wealthier nations would use.

GATT was largely ineffective in dealing with agricultural subsidies and tariffs until the Uruguay Round negotiations produced the Agriculture Agreement in 1994. This agreement addressed trade restrictions and market access, domestic support of agriculture, and export subsidies with the goal of moving towards fair competition and less market distortion.<sup>4</sup>

At the Uruguay Round, developed nations agreed to cut tariffs by 36% in 6 years, while developing countries were to cut tariffs by 24% in 10 years. The nations further agreed to similarly cut the value of subsidies and quotas, while least-developed countries were exempt from reducing tariffs or subsidies.<sup>5</sup>

Furthermore, Article 20 of the agreement called for the continuation of negotiations on agricultural reform, stating that "negotiations for continuing the process will be initiated one year before the end of the implementation period."

<sup>1</sup><http://www.time.com/time/business/article/0,8599,1989196,00.html>

<sup>2</sup><http://www.businessweek.com/news/2010-05-04/most-u-s-farm-subsidies-go-to-10-of-recipients-group-says.html>

<sup>3</sup>[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/agrm3\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm)

<sup>4</sup>[http://www.wto.org/english/tratop\\_e/agric\\_e](http://www.wto.org/english/tratop_e/agric_e)

/negs\_bkgrnd05\_intro\_e.htm#presentreform  
<sup>5</sup>[http://www.wto.org/english/tratop\\_e/agric\\_e/negs\\_bkgrnd06\\_phase\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd06_phase_e.htm)

<sup>6</sup>[http://www.wto.org/english/tratop\\_e/agric\\_e/negs\\_bkgrnd06\\_phase\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd06_phase_e.htm)

## Current Situation

More recently, the WTO has sought to address agricultural protectionism during the Doha Development Round. However, disagreements over major issues such as agricultural subsidies and tariffs have stalled progress and jeopardized the survival of the talks.

The first round of negotiations began in Doha, Qatar in 2001. In the Doha Mandate, the member nations reconfirmed their commitments to reducing trade restrictions, reducing export subsidies, and reducing support for domestic policies that would distort trade. The original goal was to finish the round by January 1, 2005.<sup>1</sup>

In 2003, the negotiations continued in Cancún, Mexico, but talks rapidly collapsed after developed nations and developing countries contested for days over agricultural subsidies and access to markets.<sup>2</sup>

In 2004, the Geneva talks managed to establish a framework agreement for concluding the Doha round, with developed countries promising to reduce agricultural subsidies and developing nations committing to cutting tariffs.<sup>3</sup>

The round then moved to Hong Kong in 2005, where member nations agreed to eliminate agricultural export subsidies by 2013, but they reach no consensus on the issue of domestic farm subsidies and tariffs.<sup>3</sup>

In 2008, talks in Geneva broke down after China, India, and the U.S. failed to reach a

compromise on measures intended to help poor countries protect their farmers.<sup>2</sup>

However, WTO Director-General Pascal Lamy expressed optimism at the Trade Negotiations Committee meeting on March 22, 2010 that the Doha Round will move “into the concluding phase” some time soon.<sup>4</sup>

## Bloc Positions

Dominant economic powers (E.U., U.S., etc.): These wealthier nations are usually those that provide agricultural subsidies. They claim that expenditure in this sector is necessary to protect domestic production and economy against economic fluctuations and natural disasters.

Developing member nations (Brazil, China, India, etc.): These nations argue that subsidies distort market prices and incentives, driving prices down tremendously. Nations that cannot afford subsidies thus cannot compete with the low prices on goods and commodities. It is perhaps also useful to distinguish between relatively well-off developing member nations and the least-developed countries (LDCs) as they may have different motives behind demanding the reduction/elimination of agricultural subsidies.

<sup>1</sup>[http://www.wto.org/english/tratop\\_e/dda\\_e/dohaexplained\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm)

<sup>2</sup>[http://news.bbc.co.uk/2/hi/europe/country\\_profiles/2430089.stm](http://news.bbc.co.uk/2/hi/europe/country_profiles/2430089.stm)

<sup>3</sup><http://www.guardian.co.uk/business/2008/jul/21/doha.trade>

<sup>4</sup>[http://www.wto.org/english/news\\_e/news10\\_e/tnc\\_dg\\_stat\\_22mar10\\_e.htm](http://www.wto.org/english/news_e/news10_e/tnc_dg_stat_22mar10_e.htm)

Questions to consider:

1. How does the liberalization of international trade affect domestic markets?
2. What are the pros and cons of agricultural

protectionism?

3. How can the WTO overcome the deadlock that is threatening future negotiations on this subject matter?

#### Resources

1. Doha Development Agenda: Negotiations, implementation and development

[http://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dda_e.htm)

2. "What is the Doha Round?"

<http://www.eldis.org/index.cfm?objectId=E1A93506-FCCE-F97E-205FB8451CE3EA74>

3. Doha Timeline

<http://www.guardian.co.uk/business/2008/jul/21/doha.trade>

## Topic 2: Building Trade Capacity

### Background

One of the key principles of the WTO is promoting economic development, particularly in developing countries. Building trade capacity is one way to improve the living standards and encourage economic growth in poorer nations. Many countries simply do not possess the ability to compete with other nations in international trade, and by improving human, institutional, and infrastructural capacity, the WTO hopes to help developing nations gain through participating in trade.

Human capacity refers to the human resources that governments rely on to inform officials on matters pertaining to trade agreements, international markets, and trade policies. Institutional capacity concerns the efficiency of institutions and administrations that governments and businesses depend on for trade. Finally, infrastructure capacity pertains to the physical arrangement necessary for trade to occur, which includes ports, roads, and telecommunications. Governments lacking adequate capacities at these specific levels are

at a clear disadvantage when it comes to trade.<sup>1</sup>

However, trade for developing nations, especially for least developed countries (LDCs), may actually lead to more economic problems. Exports from developing nations tend to be commodities, such as agricultural goods. The prices for these goods are often volatile, and in a bad year, could cause severe economic disruption. In addition, developed countries often have access to technologies that allow them to produce agricultural products at lower costs, or can afford to subsidize domestic farmers. Thus, LDCs find it extremely difficult to compete with wealthier nations in international markets.<sup>4</sup>

There is also the problem of political stability and corruption; revenues from commodities could be abused by the government, leading to inefficiency and further national economic inequality.

### Current Situation

Under the Doha Mandate, nations agreed that "technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system...The delivery of WTO technical assistance shall be designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system."<sup>2</sup>

To this end, the WTO has implemented and worked with other international organizations to provide technical assistance to developing nations. Under its Trade-related technical assistance (TRTA) program, the WTO hopes "to build long-lasting human and institutional trade

capacity and to enhance ownership through training and technical cooperation.”<sup>3</sup> The WTO also supports programs geared specifically towards least developed countries, such as the Integrated Framework, JITAP, Geneva Weeks, and the Reference Centres Programme.<sup>3</sup>

<sup>1</sup>[http://www.wto.org/english/tratop\\_e/devel\\_e/build\\_tr\\_capa\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/build_tr_capa_e.htm)

<sup>2</sup>[http://www.wto.org/english/thewto\\_e/minist\\_e/min01\\_e/mindecl\\_e.htm#cooperation](http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm#cooperation)

<sup>3</sup>[http://www.wto.org/english/tratop\\_e/devel\\_e/teccop\\_e/ta\\_factsheet\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/teccop_e/ta_factsheet_e.htm)

<sup>4</sup><http://ictsd.org/i/events/dialogues/32447/>

### Questions to Consider

1. How can programs targeting trade capacity be improved?
2. What are some potential challenges the WTO and the international community may need to address as developing nations transition towards freer trade? How can the WTO resolve them?
3. How has the global economic crisis affected progress in dealing with this issue?

### Resources

1. Building trade capacity

[http://www.wto.org/english/tratop\\_e/devel\\_e/build\\_tr\\_capa\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/build_tr_capa_e.htm)

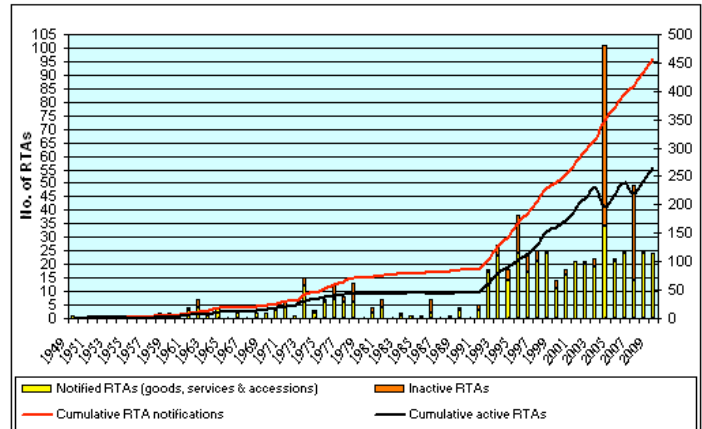
2. Factsheet on trade related technical assistance

[http://www.wto.org/english/tratop\\_e/devel\\_e/teccop\\_e/ta\\_factsheet\\_e.htm](http://www.wto.org/english/tratop_e/devel_e/teccop_e/ta_factsheet_e.htm)

## Topic 3: Incorporating Regional Trade Agreements into the Global Framework

### Background

Though the global economy is no stranger to regional trade agreements, or RTAs, the number of regional contracts has proliferated in recent years. In fact, the overwhelming majority of WTO members are in at least one



such agreement.

Regional trade agreements seek to facilitate trade between two or more nations. Some of the most prominent RTAs include the North American Free Trade Agreement (NAFTA), the European Union, ASEAN, and MERCOSUR.

The WTO has established several rules in dealing with RTAs, the most important being the notification of RTAs. From 1948-1994, there were 123 notifications of RTAs under GATT, and an additional 300 after the WTO was created.<sup>1</sup>

There are stringent laws that permit regional agreements as spelled out in Article XXIV of GATT paragraphs 4 to 10, the Enabling Clause, and Article V of GATS.<sup>2</sup> Basically, member nations are not allowed to enter into agreements that would discriminate against or diminish the trading capacity of nations outside the agreement.

The WTO created the Regional Trade Agreements Committee in 1996 to deal with regional trade issues. In particular, it is tasked with reviewing RTAs and assessing whether they conform to WTO rules. In addition, the committee investigates the relationship between RTAs and multilateral trade.<sup>3</sup>

On 6 February 1996, the WTO General Council

created the Regional Trade Agreements Committee. Its purpose is to examine regional groups and to assess whether they are consistent with WTO rules. The committee also examines how regional arrangements might affect the multilateral trading system, and what the relationship between regional and multilateral arrangements is.

### Current Situation

The number of RTAs has surged since the creation of the WTO, and continues steadily, prompting concern and debate, including those regarding the effect of regional agreements on multilateral trade.

Some believe that RTAs support and lead to multilateralism by paving the way for issues to be negotiated and discussed in a larger forum, namely the WTO. RTAs serve as a foundation for further cooperation and standardization of trade on the global stage.

Others, however, see the burgeoning number of RTAs as problematic. The more RTAs there are, the more complicated international trade becomes because of the myriad of rules and laws countries must observe. It could also possibly lead to trade discrimination or “preference erosion”<sup>4</sup> as countries find themselves outsiders to a growing number of regional agreements.

### <sup>1</sup>Facts and figures

[http://www.wto.org/english/tratop\\_e/region\\_e/regfac\\_e.htm](http://www.wto.org/english/tratop_e/region_e/regfac_e.htm)

### <sup>2</sup>The WTO’s rules

[http://www.wto.org/english/tratop\\_e/region\\_e/regrul\\_e.htm](http://www.wto.org/english/tratop_e/region_e/regrul_e.htm)

### <sup>3</sup>“Regionalism: friends or rivals?”

[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/bey1\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/bey1_e.htm)

### <sup>4</sup>Bridging Regional Trade Agreements in the Americas

<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=2252290>

### Questions to consider:

1. What advantages and/or disadvantages do RTAs have over multilateral trade agreements?
2. What are some difficulties in incorporating RTAs into the global framework?
3. How have RTAs adhered to and/or violated the key principles of the WTO? (i.e. Are they promoting fair competition, stability and predictability, economic development etc.?)
4. Do RTAs foster multilateralization? Why or why not?
5. What is the WTO’s role in this? Should it keep the status quo, or be more active in multilateralizing regional trade?

### Resources

1. [www.wto.org](http://www.wto.org)
2. <http://ictsd.org/i/news/bridges/3145/>
3. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=2252290>
4. [http://www.wto.org/english/news\\_e/sppl\\_e/sppl67\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl67_e.htm)