

Date: 02.06.02

Beginning of class is spent finishing up topics from 02.04.02, see the notes for that day.

World Trade Arrangements and the WTO

I. International Organizations related to Trade

WTO: formerly GATT.

OECD: has 30 members, collects lots of data, and serves as a place for discussion for reforms. Has attempted to reach a Multilateral Agreement on Investment.

II. WTO

A. History, as GATT

Started in late 1940s to avoid the chaos of the 1930s, which involved a series of retaliatory tariffs that worsened already shaky economies. The leaders of the world designed the ITO (International Trade Organization), but it was not ratified by the United States, so the GATT is used although it was intended only to be a temporary treaty to control trade policies.

Roles:

1. Sets rules for trade policy
2. Provides forum for negotiations (called “rounds” of negotiation).

B. GATT Rounds

There have been 8 rounds of negotiations throughout history.

(See the slide – handout - on the web on the Rounds of GATT)

Kennedy round is the first one to expand to issues beyond tariffs.

Tokyo round: they talked about NTBs.

Uruguay round brought in many issues that hadn't been discussed before and created the WTO.

All negotiations take place in Geneva, Switzerland.

Today we are in the midst of the “Doha Round,” decided at the ministerial meeting last fall in Doha, Qatar.

C. WTO Today

Established on January 1, 1995. There are 144 member nations, including China which was added as of Jan 1 2002. It does not include Russia, Iraq, Iran, North Korea, Saudi Arabia, for example.

D. Functions

Basic Rules:

MFN (Most Favored Nation): all members of the WTO, if they lower a tariff to one member, they must lower it to all members. They must treat every member nation as well as the “most favored” member nation.

National Treatment: once a good is inside a country's borders, it must be treated as a domestic good would be treated.

See Table 1 in Deardorff 1997 paper entitled “An Economist's Overview of the World Trade Organization” for details on the various functions of the WTO.