Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
  - WTO Today
  - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

International Organizations

- International Organizations Related to Trade
  - WTO = World Trade Organization
  - Formerly GATT = General Agreement on Tariffs and Trade
  - More on this below

- OECD = Organization for Economic Cooperation and Development
  - Group of mostly rich countries
    - Collects data
    - Discusses reforms
  - 35 members
    - Including Mexico, Korea, Czech Rep., Poland
    - Most recent: Estonia, added 9 December 2010
    - Russia is not a member (discussions of that were postponed in 2014)

International Organizations

- International Organizations Related to Trade
  - EU = European Union
    - Group of 28 countries, among which there is free flow of
      - Goods
      - Capital
      - Labor (but not yet including Croatia, which joined most recently)
    - Added 10 countries Jan 1, 2004
    - Added Romania and Bulgaria on Jan 1, 2007
    - Added Croatia July 1, 2013
    - UK voted to leave June 23, 2016 (Brexit)
      - Initiated the process at end of March, 2017
      - That started 2-year period to negotiate terms of “Brexit”
      - Deadline: March 29, 2019
    - Note who is missing:
      - Switzerland
      - Norway
      - Former Yugoslavia except Slovenia & Croatia

International Organizations

- International Organizations Related to Trade
International Organizations

- International Organizations Related to Trade
  - NAFTA = North American Free Trade Agreement
    - Group of 3 countries, US, Canada, Mexico that have
      - Zero tariffs on each other’s exports
      - Rules to facilitate investment, intellectual property, etc.
    - We’ll learn more about it later in the course
    - President Trump has now renegotiated it
      - USMCA: United States, Mexico, Canada Agreement

- United Nations (UN) Organizations
  - UNCTAD = UN Conference for Trade and Development
    - Voices views of developing countries
  - ILO = International Labor Organization
    - Promotes labor standards and rights
    - Has no authority to limit trade
  - WIPO = World Intellectual Property Organization
    - Promotes use and protection of intellectual property (Copyrights, Trademarks, Patents)
    - Also has no authority to limit trade

- Non-governmental Organizations (NGOs)
  - Far too many to list – here are a few
    - Fraser Institute
    - Oxfam International
    - Third World Network
    - Worldgrowth.org
  - NGOs have been increasingly active in trying to influence trade policies and negotiations

Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
  - WTO Today
  - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

World Trade Organization: History

- 1930s:
  - Tariffs raised, to high levels
  - 1930 US Smoot-Hawley Tariff Act
    - Raised tariffs on 890 items
    - Prompted retaliation by other countries, who then also raised tariffs

Hawley Smoot
World Trade Organization: History

- Mid-1940s:
  - Created IMF and World Bank at meeting in Bretton Woods, New Hampshire
  - US tried to create ITO = International Trade Organization
  - Interim agreement: GATT = General Agreement on Tariffs and Trade
  - When ITO failed to be approved (by US!), GATT governed trade policy by default

Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
    - WTO Today
    - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

World Trade Organization: History

- What GATT Does
  (GATT is still the largest part of WTO)
  - Rules for trade policy
  - Forum for negotiation
    - Of both trade policies (e.g., tariffs) and rules
    - Major negotiations took place in “Negotiating Rounds”
    - Decisions made at occasional meetings of trade ministers: “Ministerial Meetings”

World Trade Organization: Rounds

<table>
<thead>
<tr>
<th>Rounds of GATT</th>
<th>Multilateral Trade Negotiations</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Years</td>
</tr>
<tr>
<td>1-5</td>
<td>1947-61</td>
</tr>
</tbody>
</table>

Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
    - WTO Today
    - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

World Trade Organization: Rounds

<table>
<thead>
<tr>
<th>Rounds of GATT</th>
<th>Multilateral Trade Negotiations</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Years</td>
</tr>
<tr>
<td>1-5</td>
<td>1947-61</td>
</tr>
<tr>
<td>6</td>
<td>1964-67</td>
</tr>
</tbody>
</table>
World Trade Organization: Rounds

Rounds of GATT
Multilateral Trade Negotiations

<table>
<thead>
<tr>
<th>No.</th>
<th>Years</th>
<th>Name</th>
<th>Accomplishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>1947-61</td>
<td>Reduced tariffs</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>1964-67</td>
<td>Kennedy</td>
<td>Tariffs + anti-dumping</td>
</tr>
<tr>
<td>7</td>
<td>1973-79</td>
<td>Tokyo</td>
<td>Tariffs + NTBs</td>
</tr>
</tbody>
</table>

6  1964-67  Kennedy  Tariffs + anti-dumping
7  1973-79  Tokyo    Tariffs + NTBs
8  1986-94  Uruguay  Tariffs, NTBs, Services, Intellectual Property, Textiles, Ag., Dispute Settlement, Created WTO
9  2001-15  Doha     FAILED: Doha Development Agenda

How negotiations took place

Tariffs:
- In early rounds, tariff cuts were negotiated between “principal supplier” country and “principal demander” country
  - Cuts are extended to all other members (MFN)
  - But large countries dominate this process
- In recent rounds, negotiations start with a formula for tariff cuts, then negotiate exceptions
  - Swiss Formula: $Z = AX/(A+X)$
    » $X = \text{initial tariff rate}$
    » $A = \text{coefficient and maximum tariff rate}$
    » $Z = \text{resulting lower tariff rate}$
  - Proposed by Switzerland in Tokyo Round
  - Reduces high tariffs more than low tariffs

Rules:
- Groups of countries draft changes, then persuade others
- Again, large countries dominate

Do small and poor countries lose?
- They need not lose, if they participate in the process
  - They benefit from the “rule of law”: Otherwise the large countries would be even more powerful
  - By grouping together, small countries can also exert bargaining power
- They may well lose if they do not participate: growth of trade may exclude them
  - Tariffs did not fall on their major exports
Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
  - WTO Today
  - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

World Trade Organization: Today

- WTO Today
  - Established Jan 1, 1995
  - Members: 164
    - Most recent: Afghanistan 2016
    - Including:
      - China (as of 2001)
      - Russia (as of 2012)
    - Not including: Iran, Iraq, N. Korea
  - Headquarters: Geneva, Switzerland
    (also home of ILO, WIPO, and others)

- WTO’s Three Parts
  1. GATT (Still exists, as largest part of WTO)
  2. GATS = General Agreement on Trade in Services
  3. TRIPs Agreement = Trade Related aspects of Intellectual Property Rights

- WTO’s Two Basic Principles
  1. MFN = Most Favored Nation
    - Each member country should treat all members as well as it treats its “most favored nation” (i.e., the member that it treats the best)
  2. National Treatment
    - Once a product or seller has entered a country, it should be treated the same as products or sellers that originated inside that country
    (There are many permitted exceptions to both of these principles)
World Trade Organization: Today

- WTO Decision Making
  - Decisions by consensus: all countries present at ministerial meetings must agree,
    - Alternatively, a certain fraction, 2/3 or 3/4, of all members must agree
  - In practice, large and rich countries dominate this process
    - They first agree among themselves (This originally done in "Green Room", hence "Green Room Group")
    - Then seek consensus based on that
  - Is this "democratic"?
    - Yes: Every country has one vote
    - No: Rich countries dominate decisions in practice

Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
  - WTO Today
    - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

WTO Functions

- See table in Deardorff

<table>
<thead>
<tr>
<th>Functional Outline of the World Trade Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
</tr>
<tr>
<td>Constraints</td>
</tr>
<tr>
<td>Exceptions</td>
</tr>
<tr>
<td>Dispute Settlement</td>
</tr>
</tbody>
</table>

WTO Functions

<table>
<thead>
<tr>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministerials</td>
</tr>
<tr>
<td>Negotiating Rounds</td>
</tr>
<tr>
<td>Working Groups</td>
</tr>
<tr>
<td>Trade Policy Review Mechanism</td>
</tr>
<tr>
<td>Councils and Committees</td>
</tr>
</tbody>
</table>

WTO Functions

<table>
<thead>
<tr>
<th>Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariff Bindings</td>
</tr>
<tr>
<td>Customs Valuation</td>
</tr>
<tr>
<td>Product Regulations</td>
</tr>
<tr>
<td>Quantitative Restrictions</td>
</tr>
<tr>
<td>Subsidies</td>
</tr>
<tr>
<td>Foreign Direct Investment (TRIMS)</td>
</tr>
<tr>
<td>Services (GATS)</td>
</tr>
<tr>
<td>Intellectual Property (TRIPs)</td>
</tr>
</tbody>
</table>

WTO Functions

<table>
<thead>
<tr>
<th>Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-Dumping</td>
</tr>
<tr>
<td>Countervailing Duties</td>
</tr>
<tr>
<td>Safeguards</td>
</tr>
<tr>
<td>Balance of Payments Protection</td>
</tr>
<tr>
<td>Preferential Trade Agreements</td>
</tr>
</tbody>
</table>

Tariff Reductions; Changes in Rules

Most commonly used

Permitted; not required

Allows NAFTA, EU, etc.
Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
  - WTO Today
  - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

WTO Current Issues

- Seattle Protest and Beyond
  - Seattle Ministerial – December 1999
    - Intended to start a new Round
    - Protesters flocked to Seattle, with objections
WTO Current Issues

• Seattle Protest and Beyond
  – Seattle Ministerial – December 1999
  • Intended to start a new Round
  • Protesters flocked to Seattle, with objections
    – Labor issues
    – Environmental issues
    – Corporate dominance
    – Lack of transparency, democracy
  • Meeting ended in failure

Outline: World Trade Arrangements and the WTO

• International Organizations
• World Trade Organization
  – History, as GATT
  – GATT Rounds
  – WTO Today
    – Functions
• Current Issues
  – Seattle Protests and Beyond
  – Doha Round
  – Disputes
  – Other Issues
  – WTO Critiques

WTO Current Issues

• Doha Round
  – Began at WTO Ministerial at Doha, Qatar, Fall 2001 (after Sep 11)
  – Emphasis on development:
    “Doha Development Agenda”
  – Major issues to be included
    • US and EU agricultural subsidies and tariffs
    • Developing-country tariffs on manufactures
    • Market access for services into developing countries
  – Cancún Ministerial Sep 2003: Failed
  – July 2004: framework agreement achieved
  – Hong Kong Ministerial Dec 2005: Agreed, but on little
  – 2006-2015: Talks stumbled along
  – December 2015: Nairobi Ministerial meeting
    • Ended without reaffirming intent to complete the Doha Round
    • Implicitly, that was admission that it had ended in failure
WTO Current Issues

• What happens without Doha?
  – Tariffs may rise because bound tariffs won’t fall
  – Bound tariffs are almost twice as high as applied ones
  – Some argue that world trade will fall
    • Has it happened?
    • Trade has stopped growing
    • Not clear that tariffs had risen prior to Trump

• Other negotiations have been more successful
  – December 2013: Bali Ministerial salvaged a limited agreement, mainly on Trade Facilitation
    • July 2014: Implementation of the “Bali Package” was delayed by objections from the new India Prime Minister Modi
    • November 2014: Modi and Obama met and resolved the disagreement. Bali Package was adopted at WTO.
  – December 2015: Nairobi Ministerial agreed on several commitments, including to
    • Abolish export subsidies on farm exports.
    – December 2017: Buenos Aires Ministerial met but accomplished essentially nothing
      • Was more about friction between US (Trump) & others

WTO Current Issues

• WTO has also succeeded in negotiating “plurilateral agreements”
  – These are agreements the members can sign or not, and are only binding on those who do
  – Agreements that have been negotiated:
    • Information Technology Agreement (with an update currently being negotiated)
    • Financial Services Agreement
    • Basic Telecommunication Services Agreement
    • Anti-Counterfeiting Trade Agreement

Outline: World Trade Arrangements and the WTO

• International Organizations
• World Trade Organization
  – History, as GATT
  – GATT Rounds
  – WTO Today
  – Functions
• Current Issues
  – Seattle Protests and Beyond
  – Doha Round
  – Disputes
  – Other Issues
• WTO Critiques

WTO Current Issues

• WTO Disputes
  – There have been 567 disputes brought to the WTO since its creation in 1995 (as of 10/5/18)
  – Some of the more notable are (or were)
    • EU ban on hormone treated beef (ruled by WTO to have no scientific basis)
    • US shrimp-turtle import prohibition (struck down by WTO)

• WTO Disputes
  – More
    • Boeing-Airbus dispute over subsidies by EU and US (WTO ruled that both were using illegal subsidies)
    • Canada and Mexico complaint about US Country-of-Origin Labeling (COOL) law for meats (WTO ruled against US law)
Outline: World Trade Arrangements and the WTO

- International Organizations
- World Trade Organization
  - History, as GATT
  - GATT Rounds
  - WTO Today
  - Functions
- Current Issues
  - Seattle Protests and Beyond
  - Doha Round
  - Disputes
  - Other Issues
- WTO Critiques

WTO Current Issues

- Other WTO Issues
  - Independence
    - US (under Obama) vetoed reappointment of a member of the Appellate Body
    - He had found against the US in several cases
    - Others worry that this will undermine the body’s independence
    - This made US look like a bully to others
  - Since then, US under Trump has blocked further appointments (see Schlesinger)
    - The Appellate Body may soon lack a quorum to make decisions.

WTO Critiques

- Trump
  - Oct 25, 2017, on Fox interview with Lou Dobbs:
    - “The WTO, World Trade Organization, was set up for the benefit for everybody but us.”
    - “we lose the lawsuits, almost all of the lawsuits … within the WTO”
  - In fact, like other countries, US
    - Wins most of the cases it brings
    - Loses most the cases brought against it
  - Since 1995, in all cases complainant has won 90%
    - As complainant, US has won 91%
    - As respondent, US has lost 89%
  - But…Trump may be closer to right if we’ve been respondent much more than complainant

WTO Critiques

- Trump
  - Oct 30, 2018, FT:
    - Donald Trump threatens to pull US out of the WTO
    - “If they don’t shape up, I would withdraw from the WTO,” Mr Trump said in an interview.
WTO Critiques

• Rodrik
  – WTO extended GATT into “inside the border” policies that countries resist
  – It is not well suited to dealing with countries that are very different (China)
  – US would have had a hard time developing under WTO rules
  – WTO has been unable to adapt to change, and instead the Appellate Body has made new law

WTO Critiques

• The future of WTO?
  – May slip into irrelevance as US and others ignore its rules
  – Or maybe these issues will prompt it to restructure itself to work better

Next Time

• Migration
  – Causes
  – Effects
  – Policies