

Introduction to the World Trading System

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Course Structure

- **Session 1:** Introduction to the world trading system + WTO dispute settlement
- **Section 2:** Trade & developing countries + exercise
- **Section 3:** Trade, environment & health + exercise
- **Section 4:** What is the future of trade governance?

International Institutions of Trade

- The Bretton Woods System and Its Context
- The Flawed Constitutional Beginnings of GATT
- The WTO and the Uruguay Round
- The Law of the WTO
- The GATT and WTO as Institutions
- Trade Negotiation Rounds and the WTO
- WTO Dispute Settlement

Bretton Woods and Its Context



- US + Britain agreement
- International Monetary Fund
- World Bank
- International Trade Organization?
 - “Comparative advantage”

The Flawed Beginnings of GATT



- 1945-1948; ECOSOC, 4 conferences: London (1946), Lake Success (1947), Geneva (1947), and Havana (1948)
- GATT and its Protocol of Provisional Application
- 23 Contracting Parties (11 developing countries)

The General Agreement on Tariffs and Trade (GATT, 1947)



- Agreement on tariffs
 - 1965 – Part IV, trade and development
 - 1979 – New codes to regulate non-tariff measures
- Only governments (one member – one vote)
 - Democratic deficit critique
- Consensus rule
 - Difficulties for developing countries*
- Weak dispute settlement system
- Marginalization of developing countries from decision-making consultations

From Uruguay to the WTO



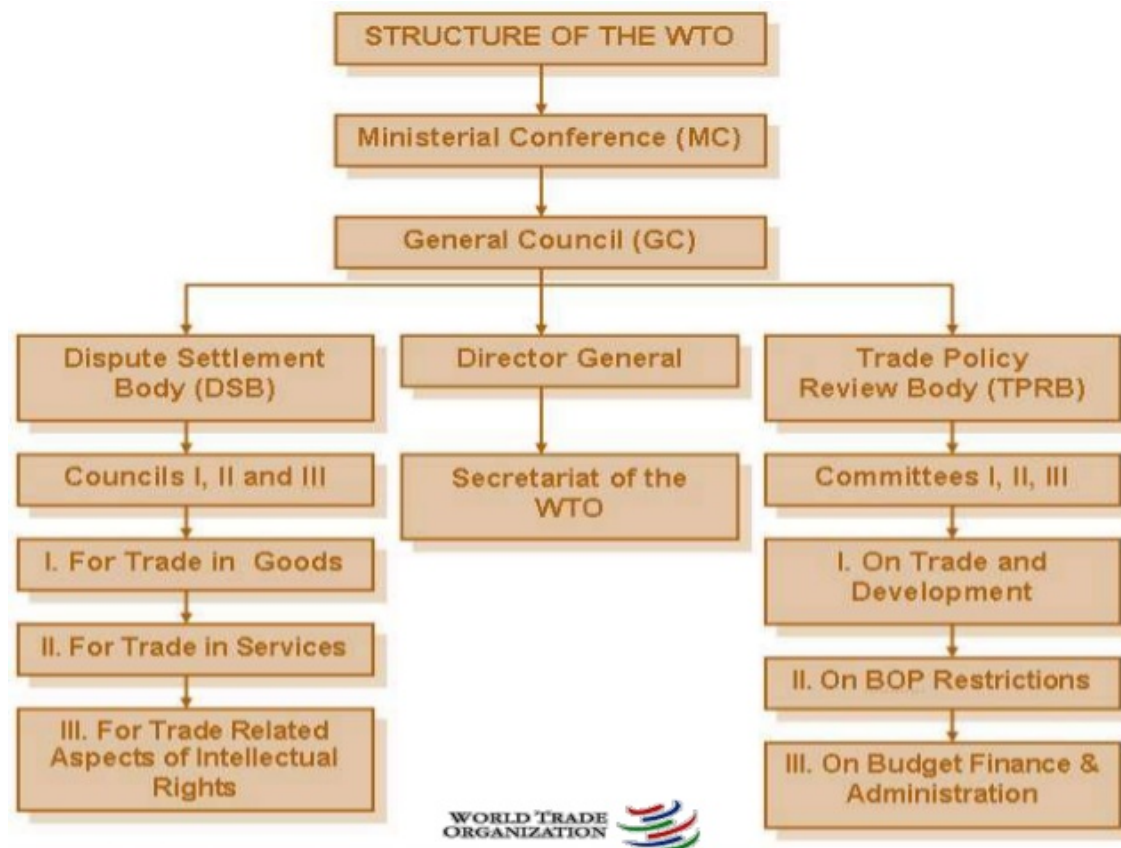
- Origins:
 - Creation of rules for trade in services and IP
 - Bringing agriculture into the GATT
 - Dealing with protectionism in textiles
 - Creating coherence bet. Tokyo round agreements
 - Improving institutional governance --> New rules for dispute settlement
- 1990 – Canadian proposal for the WTO --> 1995 – Marrakesh Agreement
- 128 countries

From Uruguay to the WTO



- The Grand Bargain: inclusion of agriculture, textiles, and SDT in exchange of the “new issues”
- But how different is the WTO from the GATT?
 - Treaty vs. IO
 - GATT’s provisional basis (Grandfather rights) vs. Permanent IO
 - GATT *à la carte* vs. Single Undertaking
 - Tariffs vs. Non-tariffs
 - DS: positive consensus vs. negative consensus

The WTO Structure



Trade negotiations after Uruguay



- 1996 – Singapore: trade and investment; competition policy; government procurement; trade facilitation
- 1999 – Seattle
 - Attempt to launch a new round
 - Singapore issues + transparency in DS + trade and labor (Clinton)
 - 30,000 to 60,000 protesters against the WTO
 - Developing countries: undelivered promises of Uruguay round + implementation issues*

A new trade round: Doha, 2001



- Explaining Doha consensus:
 - 9/11
 - Improved WTO transparency after Seattle
 - The breaking of some coalitions of developing countries
- Developing countries: Declaration on TRIPs and Public Health + SDT in agriculture + Working groups on trade, debt and finance; and on trade and technology transfer
- Developed countries: Singapore issues

A new trade round: Doha, 2001



- **Road to Cancun:**
- 7 negotiating bodies: Non-agricultural market access, services, rules, trade and environment, geographical indications for wines and spirits, and reform of the DS Understanding
- One victory: agreement on parallel imports of essential medicines by countries lacking capacity for production
- Biggest sources of impasse: agriculture, Singapore issues and cotton
- Successful- unbroken - coalitions of developing countries (G-20 and others)
- **Cancun collapses in 2003.**

From Cancun to Nairobi

- 2005 – Hong Kong ministerial agrees to end agricultural export subsidies
- 2005-2006 – Successive draft texts refine basis for Doha deal
- 2008 – Ministerial in Geneva comes close to concluding round; divergence on industrial goods and agricultural safeguard prompt breakdown
 - Food prices and security
- 2011 – Ministerial in Geneva recognizes Doha round “impasse”
- 2013 – Bali Ministerial reaches deal on “small package” – first WTO agreement on **trade facilitation**
- 2015 – Nairobi Declaration – Finally, a successful Ministerial?
 - Agriculture
 - Cotton
 - LDC issues...*

Trade Negotiation Rounds

Round	Dates	Number of countries	Value of trade covered	Average tariff cut	Average tariffs afterward
Geneva	1947	23	\$10 billion	35%	Not available
Annecy	1949	33	Unavailable	35%	Id.
Torquay	1950	34	Unavailable	35%	Id.
Geneva	1956	22	\$2.5 billion	35%	Id.
Dillon	1960-61	45	\$4.9 billion	34%	Id.
Kennedy	1962-67	48	\$40 billion	35%	8.7%
Tokyo	1973-79	99	\$155 billion	34%	6.3%
Uruguay	1986-94	120+	\$3.7 trillion	38%	3.9%
Doha	2001-	162			

The WTO Agreements

- **Annex 1A:** Multilateral Agreement on Trade in Goods
 - GATT 1994
 - Agriculture
 - SPS
 - Textile and Clothing (terminated in 2005)
 - TBT
 - TRIMS
 - Rules of Origin
 - SCM
 - Safeguards
- **Annex 1B:** General Agreement on Trade in Services
- **Annex 1C:** Agreement on Trade-Related Aspects of IP Rights
- **Annex 2:** Understanding on Rules and Procedures Governing the Settlement of Disputes
- **Annex 3:** Trade Policy Review Mechanism
- **Annex 4:** Plurilateral Trade Agreements (Civil Aircraft, Government Procurement, International Dairy*, International Bovine Meat*)

Basic GATT/ WTO Principles

- **Non-discrimination**
 - Most-Favored-Nation (Art. I GATT 1994)
 - National Treatment (Art. III GATT 1994)
- **Reciprocity**

WTO Dispute Settlement

