

COMMITTEE: WTO 1

Issue: Who should set the rules of trade and how?

CHAIRS: Daniela Pusceddu and Paul Curtil

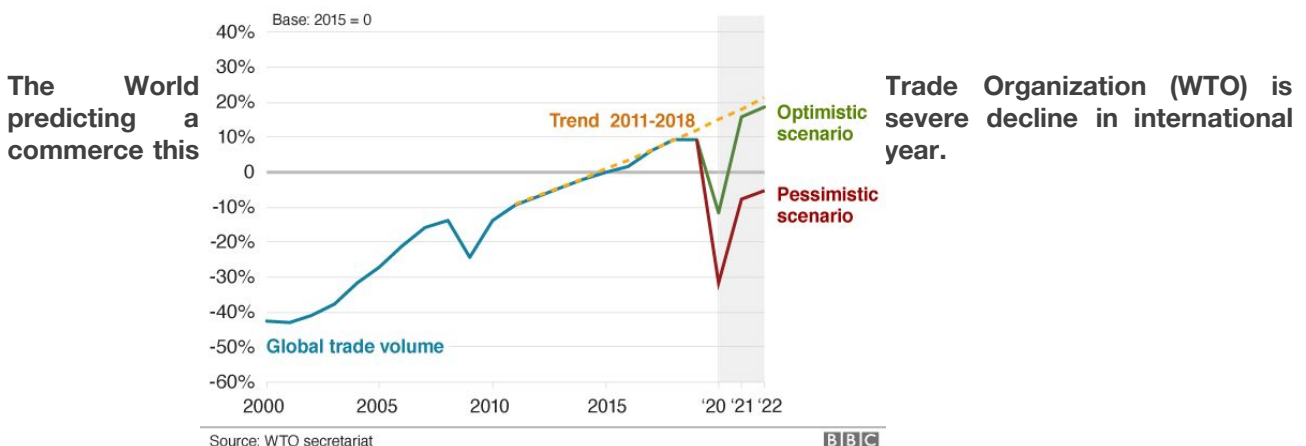
Who should set the rules of trade and how?

1. Introduction

Despite the sudden interruption that international trade has faced, the global value chain still has a bright future. The global recession is expected to coincide with a sharp decline in international trade this year, especially as international trade tends to decline more than GDP in times of crisis. However, the extent of this overreaction is difficult to measure. The World Trade Organization (WTO) forecasts a 13-32% decline in world trade. This estimate indicates that all regions would suffer a double-digit decline in their trade volumes. According to Coface's forecasting model – which uses oil prices, business confidence in the US manufacturing sector, South Korean exports, and the Baltic Dry Index as explanatory variables for global trade – world trade is expected to decline by 7% in the third quarter of 2020 compared to the previous year.

World Trade set to plunge

Growth rate for global trade and WTO scenarios



a. Key words

Trade: It is the voluntary exchange of goods or services between two parties. International trade is when that exchange takes place between actors in two or more different nations. It is based on the idea that one country is more efficient or effective at creating a product than is a second country, so it trades that product to the second country in exchange for products or services that the second country produces more efficiently or effectively.

Exporting means goods and services which are produced in one country are purchased in another country. It is produced domestically and sold to someone in a foreign country.

Importing means buying foreign goods and services by citizens, businesses and government of a country.

Manufacturers are companies that make large quantities of goods for sale.

Bretton Woods System (BWS): It is a fully negotiated order intended to govern monetary relations among independent nation-states.

2. Overview of the issue

a. Origins of the issue

International trade has increased enormously since roughly 1970. Indeed, contributors to the increase in trade include liberalized trade policies (policies which encourage trade among nations), technological advances, and greater participation in the world economy by developing nations, particularly the world's two most populous countries, China and India. Thereby, in 2001, the WTO established the Doha Round of negotiations, with a fundamental objective to improve the trading prospects of developing countries while promoting free trade. The round has been contentious, arriving at its first global agreement in Bali, Indonesia, in 2001 on only parts of the negotiating agenda. The round and its negotiations continued through 2014.

b. Expansion of international trade

A number of factors have given rise to this spectacular expansion in world trade. Foremost is technological change, which has considerably reduced the cost of transportation and communications. In the second half of the 20th century, the introduction of the jet engine and containerization significantly reduced the cost of air and maritime transportation, thereby expanding the range and volume of goods that are traded. The information technology revolution has made it easier to trade and to coordinate production of parts and components of a final good in different countries.

A second factor is more open trade and investment policies. Countries have opened up their trade regimes unilaterally, bilaterally, regionally, and multilaterally. Measures that taxed, restricted or prohibited trade have either been eliminated or reduced significantly. These changes in economic policies have not only facilitated trade, they have also broadened the number of countries participating in global trade expansion. In particular, developing countries now account for 36 per cent of world exports, about double their share in the early 1960s.

Thus, technological innovations and changes in trade and investment policies have both democratized trade and made it easier to “unbundle” production. The parts and components that make up the final product can be manufactured in different locations around the globe. Many of these manufacturing plants are located in developing countries that, in turn, have become increasingly integrated in global supply chains. Compared to the past, more trade can be embodied in the manufacture of a final product and more countries can be involved in the process.

c. How does trade affect greenhouse emissions of gas ?

Trade economists have developed a conceptual framework for examining how trade opening can affect the environment. This framework, first applied to study the environmental impact of the North American Free Trade Agreement (NAFTA), separates the impact of trade liberalization into three independent effects: scale, composition and technique. This framework can be used therefore to study the link between trade opening and climate change. The “scale” effect refers to the impact on greenhouse gas emissions from the increased output or economic activity resulting from freer trade. The general presumption is that trade opening will increase economic activity and hence

energy use. Everything else being equal, this increase in the scale of economic activity and energy use will lead to higher levels of greenhouse gas emissions.

d. Benefits

International trade takes into account many advantages such as economic growth which may help countries to increase incomes and living standards and reduce poverty. Trade also allows countries to sell their surplus goods and resources, which means the products or resources do not go to waste and the economy is more efficient. Trade promotes competition among nations. Therefore, companies try to produce goods at the lowest cost so they can be sold at lower prices on the international market, benefiting consumers.

e. Disadvantages

Firstly, trade can deplete natural resources. In order to produce goods, companies, people, and countries need to use natural resources, but they deplete those resources and hurt the environment. For example, farmers may cut down rainforests to make room for farmland if they know they can earn high prices for their goods on the international market. Nevertheless, workers can be exploited. In order to keep prices low, companies may pay workers very low wages, have them work in unsafe working conditions, and require them to work very long hours, violating international labor laws.

Secondly, trade can lead to job displacement. In an era of increased trade, many workers in developed countries lost their jobs in the 1990s and 2000s when companies moved production to countries with lower wages. Some countries are unable to trade with one another because of trade barriers, or laws countries impose to protect their own industries and keep competition from other countries out. For example, countries such as the USA, Japan, and most European Union countries heavily subsidize their farmers to protect national agriculture industries, making it impossible for other countries to compete with the same products.

f. Priorities to be discussed

As a consequence, the crucial aspects to be debated in this topic might be the benefits of international trade, the ways to ensure that all people and all nations enjoy the benefits of international trade as well as the disadvantages of international trade, particularly to developing nations. Moreover, it is necessary to look upon the ways to regulate international trade, the responsibility of various nations, particularly in ensuring that labor and environmental standards are observed in trade relationships, but also the value of the WTO's global free trade negotiations and agreements as compared to bilateral (between two countries) or regional trade agreements. Finally, it might be important to be aware of the fairness of trade barriers, including tariffs and agricultural subsidies, in different contexts such as subsidies provided by wealthy nations as compared to those provided by poor nations.

3. Case Studies

a. Tuna

Various fishing methods for tuna are being used around the world which causes problems on the market. Mexicans use the idea “Chasing and netting” which harms dolphins due to the fishing nets. Therefore the USA uses this against them, by saying “dolphin-safe” which adds competition on the market as people tend to go buy from the USA as it is more eco friendly. This however has created inequalities amongst the countries which led to Mexico arguing to WTO about the discrimination created by the USA. It can be seen in different way, either as discrimination or business technics.

“By excluding most Mexican tuna products from access to the ‘dolphin-safe’ label while granting access to most US tuna products and tuna products from other countries,” the WTO ruling said, “the measure modifies the conditions of competition in the US market to the detriment of Mexican tuna products.

“Mark Palmer, associate director of the Earth Island Institute, an environmental group, disagreed, saying, “The reason why Mexico has been singled out is because they’ve refused to do what everybody else does, which is fish in a dolphin-safe manner.”

Overall those two quotes show the disagreement amongst the organization, the citizens, the government and the companies.

b. Genetically Modified Organisms (GMOs)

The European Union will not import hereditarily changed food items, for example, soy, because of worries about its conceivable wellbeing impacts, in spite of the fact that makers of the items demand they are sheltered. In 2003, the United States, Canada, and Argentina recorded an objection with the World Trade Organization. The WTO Dispute Resolution Body concluded that the EU was utilizing the boycott as a protectionist arrangement and found for the soy-delivering nations.

The question proceeded over the following years, with neither side either giving ground or beginning an exchange war (a progression of to and for authorizations). The EU has since begun to permit a predetermined number of hereditarily changed yields into its business sectors, and the US has concentrated on getting more harvests endorsed. Canada and the EU agreed in 2009. The discussion has been a piece of the arrangements on an unhindered commerce understanding between the US and EU.

4. Bibliography

<https://www.bbc.com/news/business-52211919>

<https://www.globenewswire.com/news-release/2020/05/27/2039551/0/en/World-Trade-despite-a-sudden-interruption-global-value-chains-still-have-a-bright-future.html>

<https://www.globenewswire.com/news-release/2020/05/27/2039551/0/en/World-Trade-despite-a-sudden-interruption-global-value-chains-still-have-a-bright-future.html>

https://www.wto.org/english/tratop_e/envir_e/climate_impact_e.htm