

The World Trade Organization

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For presentation at Adult Learning Institute
Oakland Community College
September 25, 2018

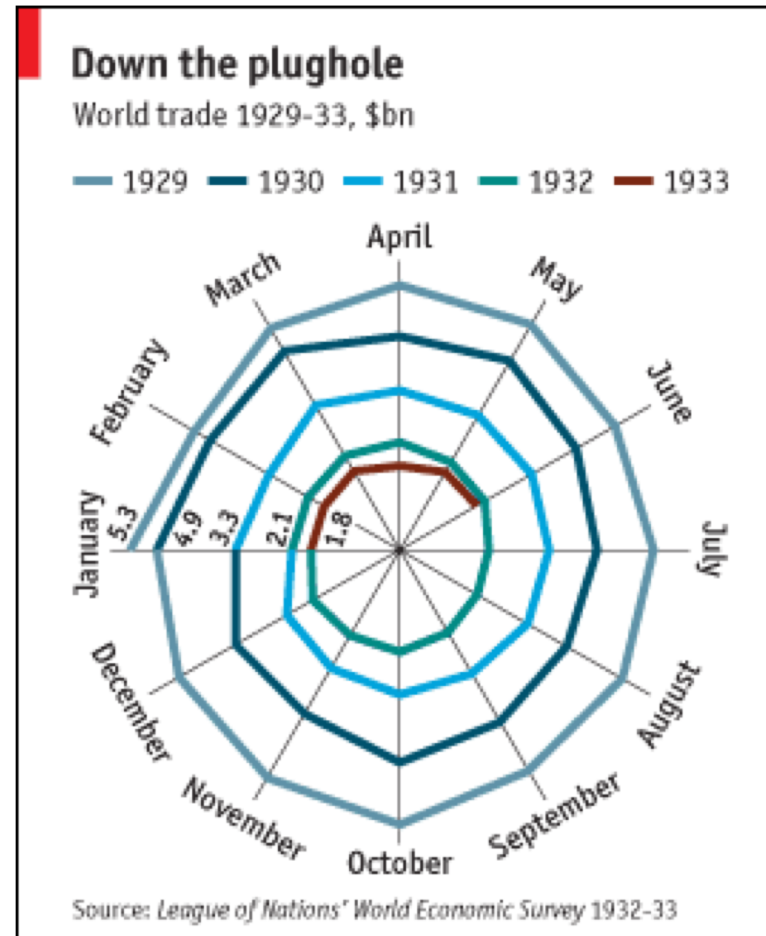
Outline

- History
- The Institution Today
- Early Issues
- Current Issues
- Trump and the WTO

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

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OF PUBLIC POLICY**Hawley****Smoot**



Source: Economist, "The battle of Smoot-Hawley," December 18, 2008.

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

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

Rounds of GATT Multilateral Trade Negotiations			
No.	Years	Name	Accomplishments
1-5	1947-61		Reduced tariffs
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

- How negotiations took place
 - 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

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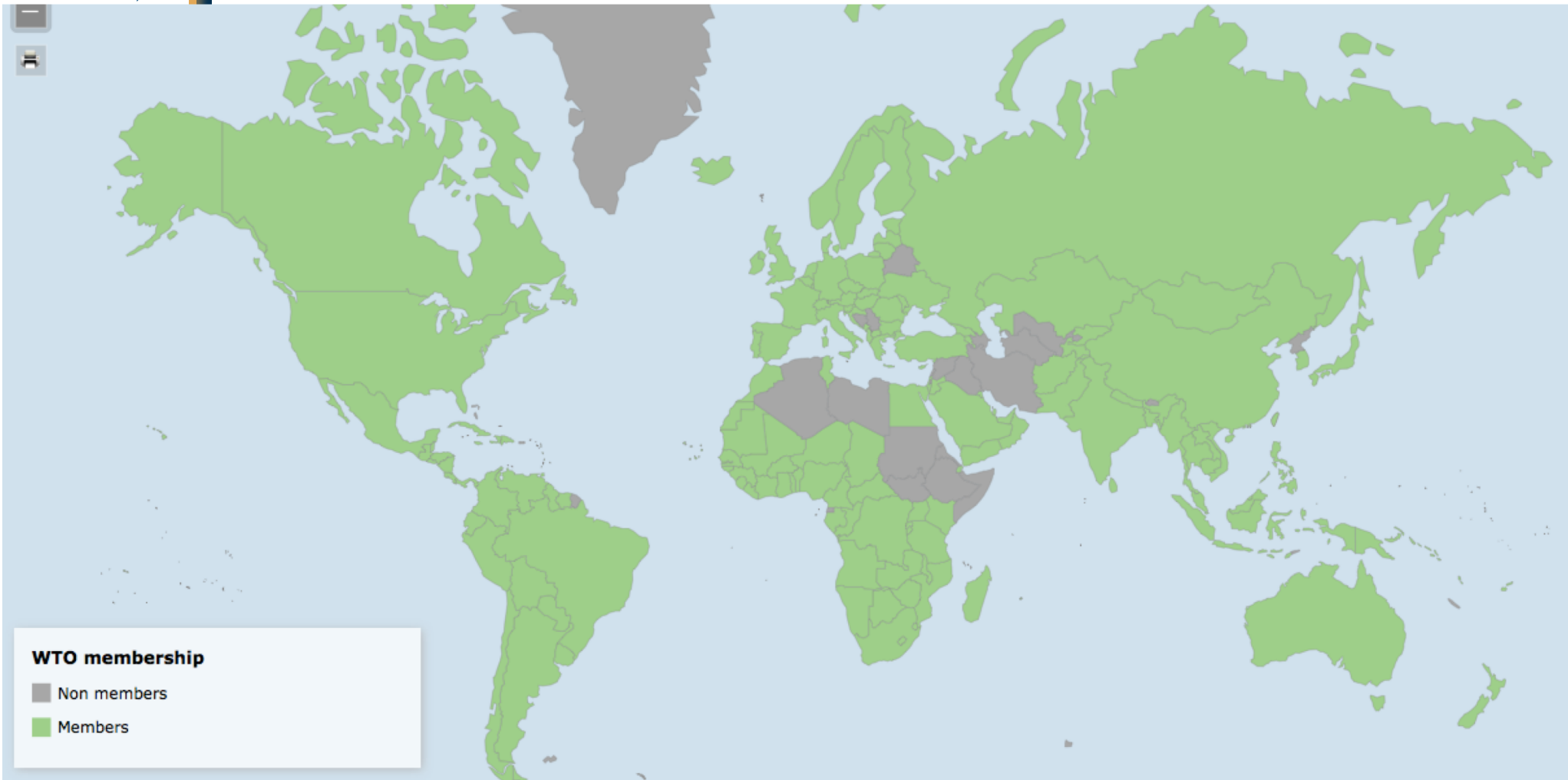
World Trade Organization: Today

- 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)



The entrance to the Centre William Rappard





Interactive: https://www.wto.org/english/res_e/statis_e/statis_maps_e.htm

World Trade Organization: Today

- 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

World Trade Organization: Today

- 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,
 - In practice, large and rich countries dominate this process
 - They first agree among themselves
 - Then seek consensus based on that
 - Is this “democratic”?
 - Yes: Every country has one vote
 - No: Rich countries dominate decisions in practice

WTO Functions

Functional Outline of the World Trade Organization
Communication
Constraints
Exceptions
Dispute Settlement

WTO Functions

Communication	Ministerials
	Negotiating Rounds
	Working Groups
	Trade Policy Review Mechanism
	Councils and Comn

Trade Ministers (USTR, etc.) Meet Every Two Years

Tariff Reductions; Changes in Rules

WTO Functions

Constraints	Tariff Bindings
	Customs Valuation
	Product Regulations
	Quantitative Restrictions
	Subsidies
	Foreign Direct Investment (TRIMS)
	Services (GATS)
	Intellectual Property (TRIPs)

Countries negotiate and commit to maximum tariffs

National Treatment for Service Firms (only in some industries)

Enforce Patents, Copyrights, Trademarks

WTO Functions

Exceptions	Anti-Dumping
	Countervailing Duties
	Safeguards
	Balance of Payments Protection
	Preferential Trade Agreements

Most commonly used

Permitted; not required

Allows NAFTA, EU, etc.

WTO Functions

Dispute Settlement	Consultation	Standing Committee that reviews most cases
	Panel Recommendation	
	Appellate Body	
Remedy	Implementation	
	Compensation	
	Retaliation	

3-person Panel Decides Case

The Ultimate Remedy: Permit Tariffs

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- Current Issues
- Trump and the WTO

WTO Early Issues

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







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WTO Early 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

WTO Early Issues

- Seattle Protest and Beyond
 - Seattle Ministerial – December 1999
 - Negotiators failed to reach agreement
 - Labor standards
 - » US & EU wanted them in trade agreement
 - » Developing countries feared protectionism
 - Many other issues were also divisive
 - Result: Negotiating round was not begun
 - Protesters began showing up at other meetings as well, of IMF, World Bank, etc.

WTO Early Issues

- Doha Round
 - Began at WTO Ministerial at Doha, Qatar, Fall 2001 (after Sep 11)
 - Emphasis on development:
“Doha Development Agenda”

WTO Early Issues

- Doha Round
 - Issues to be included
 - US and EU agricultural subsidies and tariffs
 - Developing-country tariffs on manufactures
 - Market access for services into developing countries

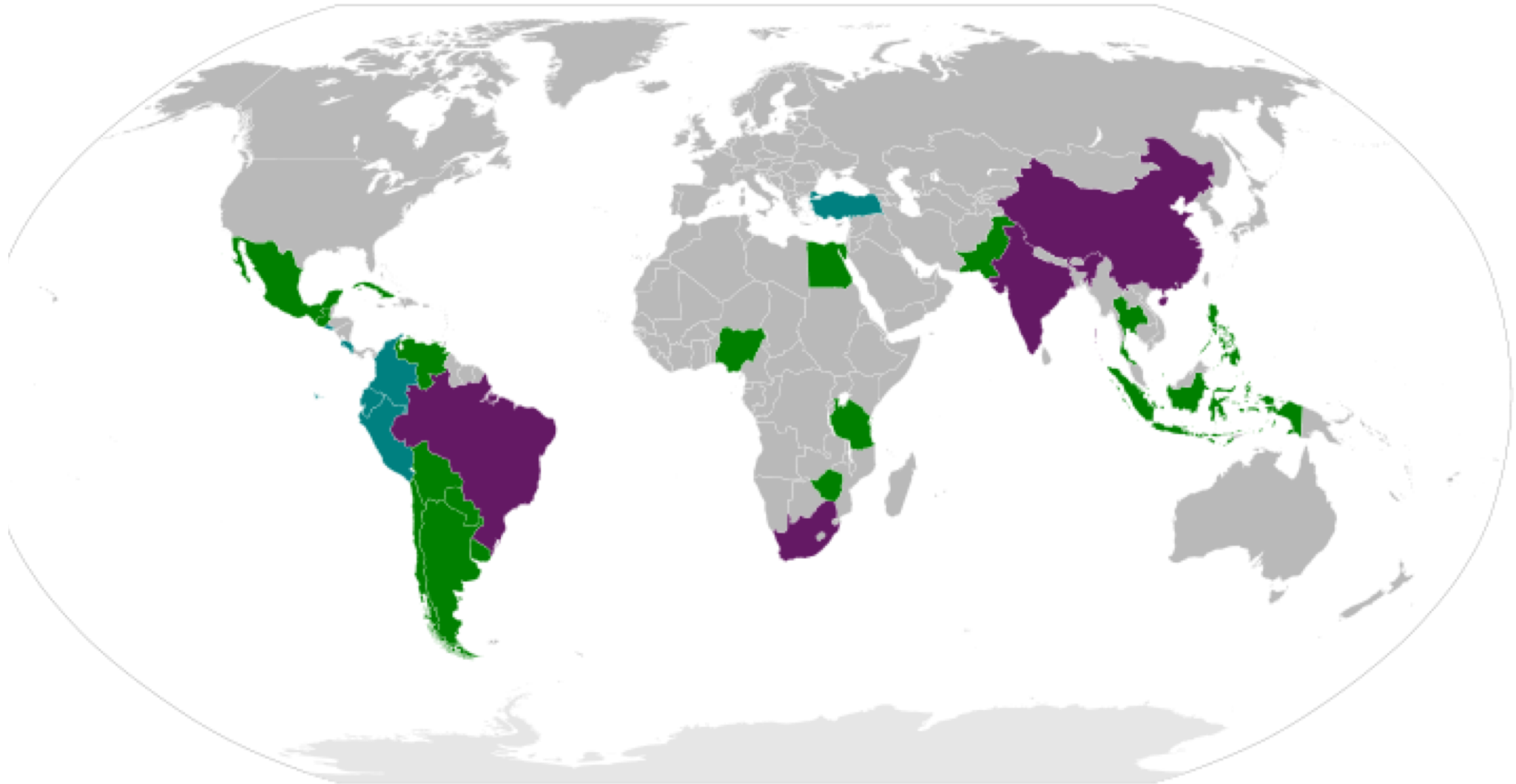
WTO Early Issues

- Doha Round
 - Cancún Ministerial Sep 2003
 - Intent was to agree on outline of agreement
 - Developing countries spoke as a group (for the first time)
 - Pushed hard for elimination of US and EU agricultural subsidies
 - Resisted cutting their own tariffs
 - Meeting ended without agreement:
Failure!

WTO Early Issues

- Doha Round
 - 2003-5
 - Developing countries continued negotiating as “Group of 20”
 - Major countries in G20: Brazil, India, China, South Africa
 - Membership varies; currently 23 countries

- G20 of Developing Countries:



WTO Early Issues

- Doha Round
 - 2003-5
 - Developing countries continued negotiating as “Group of 20”
 - Major countries in G20: Brazil, India, China, South Africa
 - Membership varies; currently 23 countries
 - Developed countries gave up pushing for some Issues
 - In July 2004, negotiators achieved the framework agreement that had eluded them at Cancún

WTO Early Issues

- Doha Round
 - Hong Kong Ministerial, Dec 2005
 - Negotiators were determined not to fail again
 - Meeting ended with “agreement,” but progress was very minimal



WTO Early Issues

- Doha Round
 - July 2006: Doha Round Talks Suspended
 - June 2007: Potsdam Meeting of G-4 (US, EU, Brazil, India) failed
 - July 2008: Negotiations broke down over agriculture
 - December 2015: Nairobi Ministerial meeting
 - Ended without reaffirming intent to complete the Doha Round
 - Implicitly, that was admission that it had ended in failure

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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 did stop growing for a while, but has resumed recently
 - Not clear that tariffs have risen

WTO Current Issues

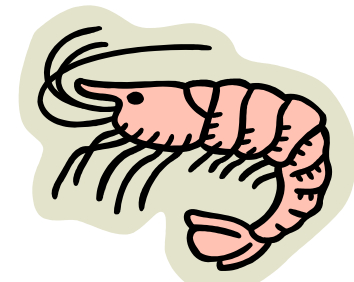
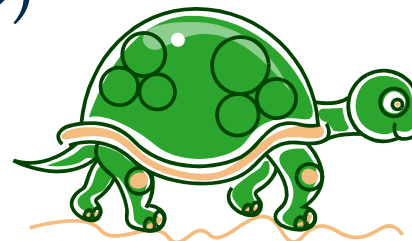
- Other negotiations have been more successful
 - December 2013: Bali Ministerial salvaged a limited agreement, mainly on Trade Facilitation
 - July 2014: Implementation of the “Bali Package” was delayed by objections from the new India Prime Minister Modi
 - November 2014: Modi and Obama met and resolved 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 Aries 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

WTO Current Issues

- WTO Disputes
 - There have been 566 disputes brought to the WTO since its creation in 1995 (as of 9/25/18)
 - Two of the more notable 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 Current Issues

- 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)

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 makes US look like a bully
 - Since then, US under Trump has blocked further appointments
 - The Appellate Body may soon lack a quorum to make decisions.

WTO Current Issues

- Other WTO Issues
 - China's "market economy status"
 - Because China is currently classed as a non-market economy, its prices need not be used in deciding anti-dumping cases
 - This leaves others free to base dumping decisions on prices in other countries, hurting China
 - China is arguing for market economy status, and the issue is likely to be addressed soon by the Appellate Body

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Trump and the WTO

- 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%

Trump and the WTO

- 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.

Trump and the WTO

- WTO Disputes since Jan 20, 2017:

By United States		
Date	Against	Regarding
Sep 2017	Canada	Wine
Mar 2018	India	Export measures
Mar 2018	China	Intellectual Property
Jul 2018	Canada	Additional duties
Jul 2018	China	Additional duties
Jul 2018	EU	Additional duties
Jul 2018	Mexico	Additional duties
Jul 2018	Turkey	Additional duties
Aug 2018	Russia	Additional duties

US complaints about others' retaliation against US tariffs on steel and aluminum

Trump and the WTO

- WTO Disputes since Jan 20, 2017:

Against United States		
Date	By	Regarding
Mar 2017	Turkey	CVDs on pipes & tubes
Nov 2017	Canada	2 on Softwood lumber
Dec 2017	Canada	Trade remedies
Jan 2018	Viet Nam	Anti-dumping on fish fillets
Feb 2018	Korea	AD& CVDs
Feb 2018	Viet Nam	Pangasius seafood products
Apr 2018	China	2 on Tariffs
May 2018	Korea	2 on tariffs, washers & solar panels

Trump and the WTO

- WTO Disputes since Jan 20, 2017:

Against United States		
Date	By	Regarding
May 2018	India	Tariffs on steel & aluminum
Jun 2018	EU	Tariffs on steel & aluminum
Jun 2018	Canada	Tariffs on steel & aluminum
Jun 2018	Mexico	Tariffs on steel & aluminum
Jun 2018	Norway	Tariffs on steel & aluminum
Jun 2018	Russia	Tariffs on steel & aluminum
Jul 2018	Switzerland	Tariffs on steel & aluminum
Aug 2018	Turkey	Tariffs on steel & aluminum

Trump and the WTO

- WTO Disputes since Jan 20, 2017:

Against United States		
Date	By	Regarding
Aug 2018	China	Tariffs on solar panels
Aug 2018	China	Measures on renewable energy
Aug 2018	China	Tariffs II

Trump and the WTO

- Aug 13 2018, NYT:
 - **Trump's National Security Claim for Tariffs Sets Off Crisis at W.T.O.**
 - Are tariffs on steel and aluminum to protect national security legal?
 - If no, Trump will further blame WTO
 - If yes, other countries will use that excuse

Trump and the WTO

- The GATT National Security Exception:
 - Article XXI: “[n]othing in this Agreement shall be construed . . . to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests . . . taken in time of war or other emergency in international relations[.]”

Trump and the WTO

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The Future of the WTO

- Hard to know
 - It's still being used, but will it be obeyed?
 - If the US does not follow it, will others?
 - There is some hope that the WTO may be reformed in response to the current crisis.