

World Trade Organization
Enhancing equal access to the
international trade market taking account
the SDGs

Hannah Dörfel, Nikolas Lokau, Christina Pletowski



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World Trade Organization

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A Note from the Chairs

Distinguished Delegates of the World Trade Organization,

we warmly welcome you to this year's edition of LakeMUN, taking place at Zeppelin University in Friedrichshafen. We are more than proud and very content to have you in our committee and we do hope that you will have a fruitful time while debating upon crucial issues concerning our organization.

This present study guide should serve as an introduction and give you overview about the major challenges which need to be tackled within this committee. Your preparation, hard work and devotion are required not only during the conference but also before its beginning. Therefore, we recommend to read the study guide carefully and we encourage you to conduct further research to get acquainted with your country's position. Also, please be sure to familiarize yourself with the Rules of Procedure beforehand. Your task at LakeMUN 2019 will be to represent your country's policies diligently and accurately and to negotiate for solutions that align best with your country's interests. Enhancing equal access to the international trade market taking account the Sustainable Development Goals (SDGs) is from the utmost importance for the World Trade Organization (WTO). International cooperation and understanding is becoming more important than ever, as we move towards a further globalized world. Under the status quo, the global system of trade is facing pressure from different sides. Therefore, the WTO aims to achieve a major reform of the international trading system especially through the introduction of lower trade barriers and revised trade rules. At this conference, dear Delegates, you are deciding on the future of the WTO. We hope that the committee sessions will be filled with interesting debates, great speeches and we are looking forward to hearing your ideas! We believe that this conference will be an amazing experience for you - we are very excited to meet you at Lake Constance and wish you all the success for your preparations and LakeMUN 2019!

Sincerely,

Hannah Dörfel, Nikolas Lokau and Christina Pletowski

I. Introduction

The World Trade Organisation (WTO) is a multinational forum with the goal of finding multilateral solutions to further free international trade. It is comprised of 164 member states and 23 observers.

The WTO originated from the General Agreement on Tariffs and Trade (GATT) which was created in 23 nations after World War II in order to work towards reducing trade barriers and create more transparency. In eight rounds of negotiations, this treaty was gradually transformed into an organization, the WTO, which was finally founded in 1994. Its founding and guiding principles are the pursuit of open borders, the guarantee of most-favored-nation principle and non-discriminatory treatment by and among members, and a commitment to transparency in the conduct of its activities. (Overview, 2019)

Unlike resolutions the UN, which are not legally binding, the decisions made in the WTO must be translated into national law and can be sanctioned, if they are not followed.

In making its decisions, the WTO tries to stick to six main principles: making trade more open, less discriminatory, predictable and transparent, more competitive, more beneficial for less developed countries, and to protect the environment. (Overview, 2019)

A. Introduction of the topic

Promoting free trade and reducing trade barriers has always been the aim of the World Trade Organization. In a globalized world, trading is a key component of international cooperation. The ongoing trade war between the U.S. and China shows the impact of economical conflicts on the world economy and the importance of a mediating organizations, such as the WTO, to resolve such issues. Furthermore, the nature of worldwide trade has changed. Gone are the times where trade meant only the exchange of physical goods and services. Nowadays international trade has to take into account digitalization, intellectual property and more abstract concepts of goods such as technology transfer.

In a world that is more than ever connected through trade it is important not to neglect nations that are worse off than others either because of geographical position or historical and political

events. That is why the WTO shows respect to the SDGs by aiming for the implementation of trade reforms which are pro-growth and pro-development. By doing so, the focus is set on keeping and fostering more stable, predictable and equitable trading relations across the world. (The WTO and the Sustainable Development Goals, 2019)

This committee gives you the great opportunity to stress issues that are important to your country. Think about the strengths and the weaknesses of your country when it comes to trade. Does your economy rely on “traditional” products and services or does digitalization bear opportunities for your nation? When you look at the WTO, where is room for improvement? Should certain rules be changed or abolished? Is the organization and its rules adequately able to handle a digitalized, globalized world economy that strives to support developing nations?

The great thing is, that the WTO as an organization is aware of its flaws and welcomes productive ideas to improve itself as shown by the words of Director-General Roberto Azevêdo in July 2019:

"I've been getting questions inside and outside these walls about what WTO reform will entail. I think there are two basic misconceptions here. The first is talking about reform as if it's in the future. Reform is already happening. The second misconception is assuming that we can define it all now. I think members must define as they go. This process is for members to shape. What a reformed WTO may look like will depend on what you set out to achieve, and what you actually manage to deliver. No area of our work is perfect. All of it can be improved. And we will always need to be alert to how the system can better respond to members' concerns and adapt to economic conditions. [...]" (Azevêdo: WTO reform is already happening, 2019)

I. Definition of Key Terms

1. Landlocked Countries (LLCs)

Landlocked countries are entirely or nearly entirely enclosed by land, which means their access to open water is restricted. Therefore, have vast disadvantages compared to countries who are connected to water through coastlines and deep-sea ports. Trade is more difficult and expensive since a landlocked country must access most foreign

markets through international transport corridors which connect them to ports in neighboring countries at the seashore in order to be able to be part of the international trade market. (Arvis, 2011, p. 1)

2. Protectionism

Protectionism refers to actions or policies implemented by the government to restrict international trade for the benefit of a single domestic economy. The goal is to improve economic activity within a domestic economy. Additionally, these policies are brought forward to provide safety and quality. (Chappelow, 2019, p. 1)

3. Tariff

Tariff, a tax on imports - The aim is to restrict imports by raising the price of goods and services which are purchased from another country in order to make them less attractive to domestic consumers. They can help to protect domestic industries but also do have their more negative effects, such as reducing competition or making the domestic industries less efficient. (Kenton, 2019, p. 1)

4. Sustainable Development Goals (SDGs)

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals, which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. (Sustainable Development Goals, 2019)

5. Six Principles of the trading system

1. *Most-favored-nation (MFN)* - treating other people equally. Under the WTO agreements, countries cannot normally discriminate between their trading partners. Grant someone a special favor (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members.

2. *National treatment* - Treating foreigners and locals equally. Imported and locally-produced goods should be treated equally — at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.
3. *Lowering trade barriers through negotiations* – is one of the most obvious means of encouraging trade. The barriers concerned include customs duties (or tariffs) and measures such as import bans or quotas that restrict quantities selectively.
4. *Predictability: through binding and transparency* – With stability and predictability, investment is encouraged, jobs are created and consumers can fully enjoy the benefits of competition — choice and lower prices. The multilateral trading system is an attempt by governments to make the business environment stable and predictable.
5. *Promoting fair competition* – WTO is a system of rules dedicated to open, fair and undistorted competition.
6. *Encouraging development and economic reform* – better-off countries should accelerate implementing market access commitments on goods exported by the least-developed countries, and it seeks increased technical assistance for them. (Principles of the trading system, 2019)

III. History of the Conflict/the Issue

A. Launch of the World Trade Organization and its major goals

More than 20 years ago, the World Trade Organization was launched and it was meant to be more than simply a reformation of the old General Agreement on Tariffs and Trade system. The newly created organization was considered the main pillar of a new form of the global economic order which was going to be more open and cooperative and. (WTO Secretariat, 2015, p. 4) Trade has supported the transformation of economies, reshaping the international trade system by dividing power and wealth. Offering developing countries a WTO membership,

they received the opportunity to enter the international markets by specifying on particular tasks and products. (OECD, 2014, p. 1 ff.)

B. Special provisions for developing and least-developed countries and today's challenges

Now, almost all economies of the world are part of a single trading system which does not make international trade always an easy process. The WTO consist of more than 75 percent of developing or least-developed economies. These countries are receiving helpful provisions, such as measures which are increasing the opportunities to trade, build the needed infrastructure and implemented commitments are going to last for a longer period of time. (WTO in Brief, 2019)

Besides all the taken measures, the equal access to the trade market is a challenge and the WTO is pressured - the equal access to free international trade market to any country does only exist in theory. There are many reasons for this current situation: different countries' economic interests and geographical disadvantages, tariffs, trade conflicts and other forms of trade barriers as well as lack of transparency, make the negotiation process more difficult. (Principles of the Trading system, 2019)

C. United Nations Commission on International Trade Law

Already back in 1966, the United Nations established the United Nations Commission on International Trade Law with a mandate to further the progressive harmonization and unification of the law of international trade. (Mandate and History of UNCITRAL, 2019) The aim was and still is to especially support the landlocked developing countries, in the extensive development of international trade. (General Assembly, 2012)

Landlocked Developing countries' (LLDCs) participation in the trading system can be achieved through multilateral effort which can overcome countries geographical disadvantages. The WTO has been involved in helping LLDCs for a very long time, starting with the implementation of the Almaty Programme of Action for Landlocked Developing Countries (LLDCs) in 2003. It focusses inter alia on trade and transport facilitation, the review of their transport regulatory framework, and the development of multimodal networks to assure the LLDCs an improvement of expanding in international trade. (Arvis, 2011, p. 5)

D. Focus on Achievement of the Sustainable Development Goals

Besides all the efforts of the WTO to promote and enhance equal access to international trade market, it is additionally mainstreaming trade to accomplish the Sustainable Development Goals. The United Nations did not accomplish the Millennium Development Goals and therefore aims through closer cooperation with the WTO by reforming trade implementations and relations across the globe in order to attain the SDGs. (Mainstreaming trade to attain the Sustainable Development Goals, 2019) The promotion of equal access to international market is the starting point for the progress of the achievement of the SDGs. One goal of the 17 SDGs is to reduce poverty. Simplified being stated: if the global trade system is being changed to an extend that least developed, landlocked and in general economically weak countries are able to enhance their economies to reach the stage of developed countries, chances to received a beneficial impact on poverty reduction is higher. (Trade and development and the global partnership beyond 2015, 2013, p. 8 ff.)

Therefore, as stated by WTO Director General the “cooperation between the WTO and UN is essential in strengthening multilateral efforts to tackle some of the most pressing problems facing the world today“. (WTO news item, 2018)

IV. Current Situation

A. Lower trade barriers of tariffs

Today, the WTO is continuously working to reduce the imbalances between countries on the international trade market by providing its member countries a forum for trade negotiations and settling disputes. There are many issues the WTO is working on right now in order to encourage more free trade, trying to keep the sustainable development goals of reducing poverty, achieving decent work and economic growth and partnership. (Overview, 2019)

One of them is lowering trade barriers in the form of tariffs. Tariffs are usually placed by a country on imported goods to limit imports to that country in order to keep the balance between imports and exports stable and predictable. They are paid by the businesses importing the

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valuables to the government of the country they are being imported into. As a result of WTO negotiations, tariffs have been steadily falling since the mid-1990s. Today, 99% of developed countries and 73% of developing countries have agreed on binding their tariffs to WTO-standards and putting a “ceiling“ on them. Limiting countries from placing tariffs as high as they might like, benefits their trading partners and businesses in that country, and thus opens that country more for international trade. (Principles of the Trading system, 2019) This proves to be especially challenging in the case of a trade war, like right now between China and the United States (see: Important actors). Another important transition today is the impending Brexit, after which the trade agreements of the EU will not apply to Great Britain anymore.

Non-Tariff-Measures that can be taken to control a countries export are for example certification requirements on exported or imported goods, export taxes or charges, requiring a license or permission to export, or placing export quotas on a countries (World Trade Report 2012, p. 94 ff.). It is to be noted that these actions can have various downsides on the market. Therefore, the WTO strives to bind its members to lower tariffs in order to ensure free trade.

B. Aid for developing countries

The WTO also tries to specifically aid developing countries in their strive towards a better economy. Around two thirds of its member countries are developing countries. Developing countries often have difficulties competing on the international market, because factors like technical standards, sanitary measures, product standards, and infrastructure hold them back from exporting to their full potential. (Trade and Development, 2019) Their products are often not considered as valuable on the international trade market, therefore causing a deficit in money spent on imports versus money made through exports for these countries. (Trade and Development, 2019) Therefore, they are taken into special consideration when deals are negotiated. The statute the of WTO allows them some preferential treatment including extra time to fulfill their commitments and provisions. (Trade and Development, 2019)

C. Supporting least developed countries

The Sub-Committee on Least Developed Countries (LDCs) analyses the status of 47 of them in annual reports and gives recommendations to other member states. Additionally, it provides a forum for LDCs to raise particular problems to challenge measures imposed on their exports, and to identify their specific technical assistance needs. All of this is to better their market

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access conditions, because a recent report has found that trade on average amounts to over 49 percent of the GDP of a LDC. (Trade and Development, 2019) As a part of the technical assistance programs, the WTO trains government officials on the topic of trade policies. (WTO technical assistance and training, 2019) A special status carry the LLDCs, which face even larger obstacles when it comes to trade, dealing with high costs due to transportation and often difficult geographical conditions. (Fifth Meeting of Trade Ministers of Landlocked Developing Countries, 2016) By reducing trade costs, more and smaller businesses can access the international market. (WTO technical assistance and training, 2019)

D. Achieving the Sustainable Development Goals

This helps further the agenda of the SDG to reduce poverty. In the SDGs, furthering trade is considered an “engine to development”, because it helps the economy grow, creates jobs, and sustainably reduces poverty. (About the Sustainable Development Goals, 2019) The WTO therefore agrees on a number of key points to implement, including strengthening the multilateral trading system so that it can continue supporting inclusive growth, jobs and poverty reduction, reducing trade costs including through full implementation of the WTO’s Trade Facilitation Agreement, building supply-side capacity and trade- related infrastructure, diversifying export and adding value, and enhancing the services sector. Furthermore, the stability the WTO brings to the trade market helps economies of the LDSs grow, because it creates predictability (Mainstreaming Trade to attain the Sustainable Development Goals). These issues continue to be on the main agenda of WTO activity.

V. Important Actors

Trade war between the WTO members United States of America (USA) and the People's Republic of China (PRC). (A quick guide to the US-China trade war, 2019)

The United States of America are the world's largest economy and started imposing \$360 billion worth of tariff on Chinese goods in 2018 in order to encourage Americans to buy more domestic products. President Donald Trump criticized the fact, that China exports more goods to the US as the US does to China. Furthermore he criticized Chinese companies for violating

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copyright claims, US companies in China having to transfer their technologies and the Chinese government giving subsidies to Chinese companies. (USA und China planen neue Handelsgespräche, 2019)

People's Republic of China as the world's second largest economy answered the tariff imposed on them by raising \$110 billion worth of tariff on US products.

Developing countries: Developing countries make up the majority of the members of the WTO. There are no WTO definitions of “developed” and “developing” countries. Members announce for themselves whether they are “developed” or “developing” countries. Developing country status in the WTO brings certain rights. There are for example provisions in some WTO Agreements which provide developing countries with longer transition periods before they are required to fully implement the agreement furthermore developing countries can receive technical assistance. (Who are the developing countries in the WTO?, 2019)

Least-developed countries (LDCs): The WTO recognizes as least-developed countries those countries which have been designated as such by the United Nations. 36 LCDs are member of the WTO. (Least-developed countries, 2019)

Non-governmental organizations (NGOs): The WTO maintains regular dialogue with NGOs on various issues related to international trade. The aim is to enhance cooperation and increase NGOs' awareness of WTO activities and the role of the rules-based multilateral trading system. (NGOs and the WTO, 2019)

VI. Relevant UN Documents

1. The General Agreement on Tariffs and Trade

A set of trade agreements which aimed to reduce tariff duties and to abolish quotas. Its main goal was to have trade without discrimination. After its failure and many negotiations, GATT was ultimately replaced by the WTO. (General Agreement of Tariffs and Trade, 2019)

2. The Marrakesh Agreement Establishing the World Trade Organization

This agreement implemented the results of the Uruguay Round and the WTO followed. It was meant to be the future framework multilateral trade negotiations. (Overview of the WTO Agreements, p. 313)

3. The Treaty of Rome

Signed in 1957, the Treaty of Rome, created a common market between its members - a financial and commercial alliance in form of the free trade area. It was then easier for to sell products from the African market to the members of the European Economic Community EEC because new selling point in European markets have been created and the other way round. (Treaty of Rome, 2019)

4. Agreement on Technical Barriers to Trade (TBT)

This agreement's goal is to prevent any systems, such as standard and conformity assessment systems (industrial standards, safety or environment regulations) to become trade barriers. To avoid unwanted trade barriers, international standards regarding security and transparency are being arranged. (Overview of the WTO Agreements, p. 313)

VII. Questions to Consider

1. How can the WTO member states contribute to helping least developed and developing countries to improve their economy?
2. How can multinational corporations work towards equal access to the international trade market?
3. How can developed countries help landlocked countries to achieve access to the sea? What could be incentives for developed countries to do so?
4. How can more developing countries enable to diversify their production base away from traditional primary exports to manufacturing and services-based industry?

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5. Which SDGs are most important to your country (short and long-term)?
6. Which SDGs are more likely to achieve through equal access to the international trade market?
7. What are your country's specific obstacles holding you back from a level playing field in international trade?

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