



## Chapter 3

Introduction to Global Studies  
International Trade and the WTO system



### International Trade and the WTO system



The rise of global trade is both the main effect and cause of globalization

How trade between nations evolved during the last decades?

Why international trade expanded so much?

Are countries really

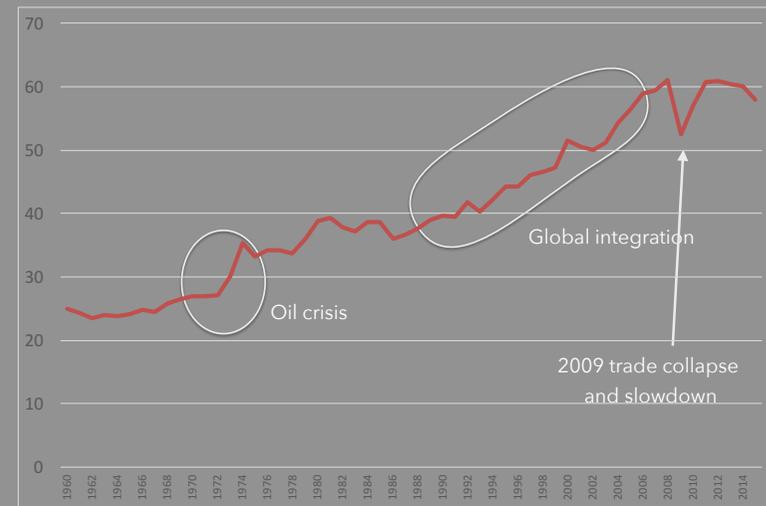


## Road map

1. International trade: Basic facts and perceptions
2. Historical perspective and the causes of globalization
3. A fragmented world?
4. Impact of a trade policy
5. The WTO



## Basic facts: Trade in goods (% of world GDP)

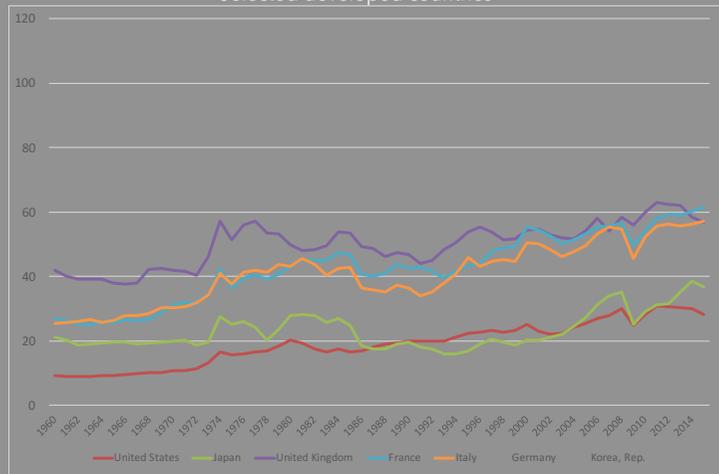


Source: WDI



## Basic facts: Trade in goods (% of world GDP)

Selected developed countries

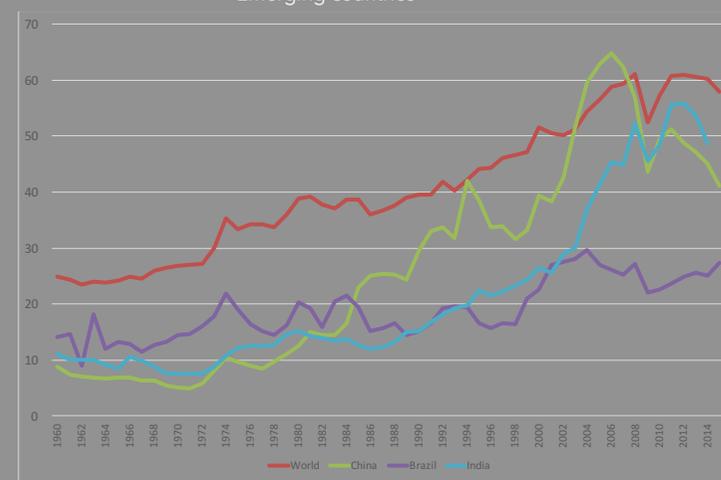


Source: WDI



## Basic facts: Trade in goods (% of world GDP)

Emerging countries



Source: WDI



## Globalization is for all

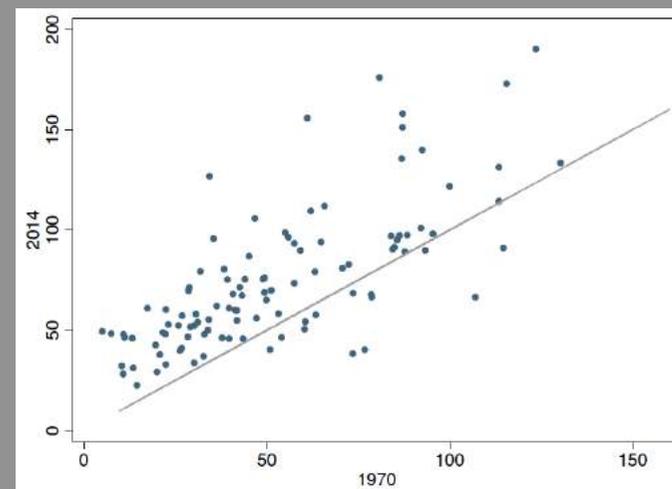
Trade integration accelerated dramatically from mid - 80's to 2009

Deepening of trade integration improved along the two margins:

- Countries engaged into international trade have increased their level of openness
- More countries have engaged into international trade



## Globalization is for all

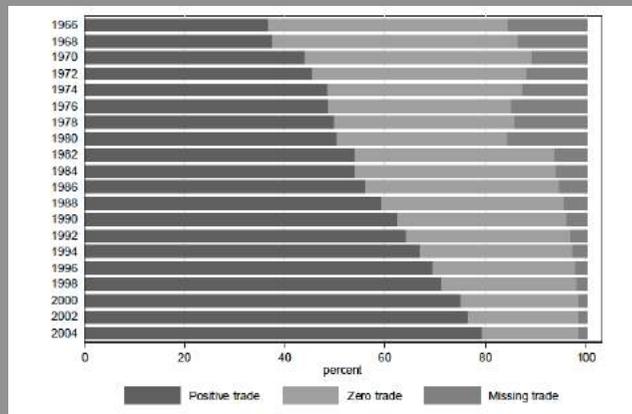


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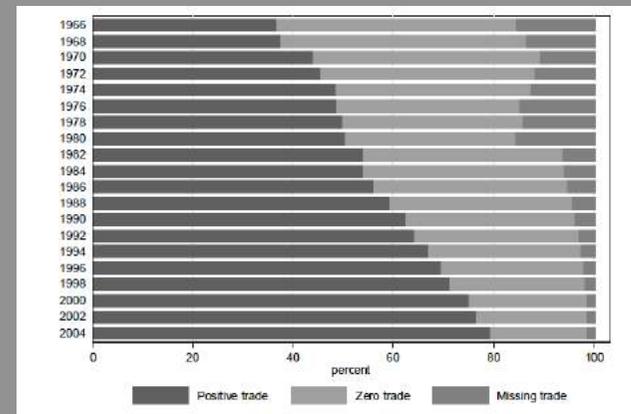
## Globalization is for all

Gabriel Felbermayr and Wilhelm Kohler (2007)  
They count the number of active trade lines  
104 countries →  $104 \times 103 = 10,721$  country pairs



## Globalization is for all

1966: Less than 40% of potential trade relationships were active  
2004: Almost 80% of trade relationships were active



Gabriel Felbermayr and Wilhelm Kohler (2007)



## So what?

What do we expect from such a global change in trade intensity?

Economic growth?



## So what?

"Most specifications of empirical growth regressions find that some indicator of external openness—whether trade ratios or indices or price distortions or average tariff level—is strongly associated with per-capita"

Joseph Stiglitz, 1998



". . .Growth is improving the lot of the poor in many countries, reducing poverty behalf since 1981. Freer trade could accelerate progress."

François Bourguignon, Former World Bank Chief Economist





## So what?

"Our bottom line is that the nature of the relationship between trade policy and economic growth remains very much an open question. The issue is far from having been settled on empirical grounds. We are in fact skeptical that there is a general, unambiguous relationship between trade openness and growth waiting to be discovered. We suspect that the relationship is a contingent one, dependent on a host of country and external characteristics"



Francisco Rodriguez and Dani Rodrik



## So what?

What do we expect from such a global change in trade intensity?

Economic growth?

Peace?



## So what?

Peace is a natural effect of trade  
Charles de Montesquieu



It is the spirit of trade, which  
cannot coexist with war, which will,  
sooner or later, take hold of every  
people.  
Immanuel Kant



The Nobel Peace Prize 2012 was awarded to  
European Union (EU) "for over six decades  
contributed to the advancement of peace and  
reconciliation, democracy and human rights in  
Europe".



## What do people think?

Do you think trade:

- Is good for the economy in your country ?
- Creates jobs ?
- Raises wages ?
- Reduces inequalities within Nations?
- Decrease prices ?
- Is good for cultural diversity?
- Is good for the environment?

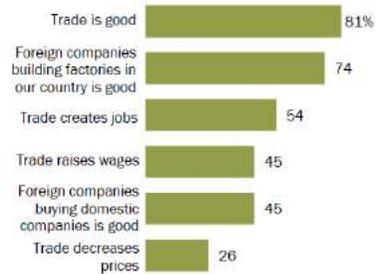
Let's see what other people think



## What do people think?

### Mixed Views on Trade and Investment

Median view that ...



Note: Global medians across 44 countries surveyed.

Source: Spring 2014 Global Attitudes survey, Q27-Q32.

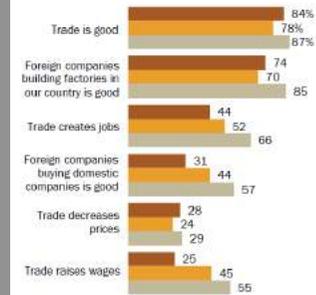
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## What do people think?

### Developing Nations Are Generally More Positive about Certain Trade Benefits

■ Advanced ■ Emerging ■ Developing



Note: Medians by country economic categorization.

Source: Spring 2014 Global Attitudes survey, Q27-Q32.

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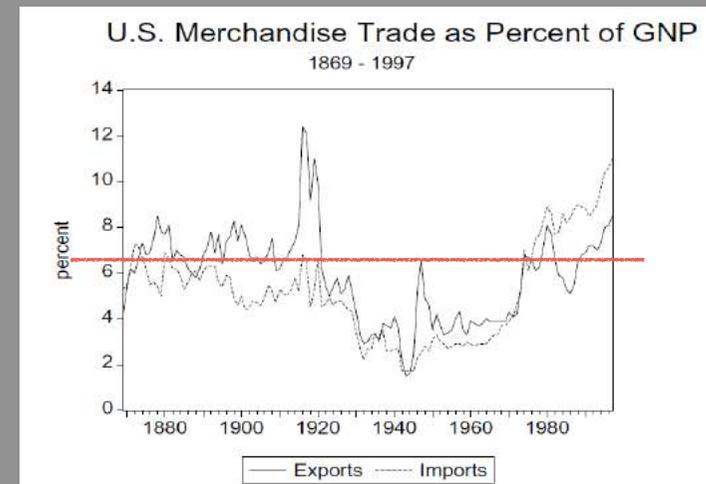
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## The first wave of globalization

Trade openness in the late XIXth century is comparable to the one in the 1980





## Why did the first wave stopped?

The first World War interrupted trade relationships



The Great recession stopped the recovery



## Why did the first wave stopped?

Rise of protectionism during the Great recession

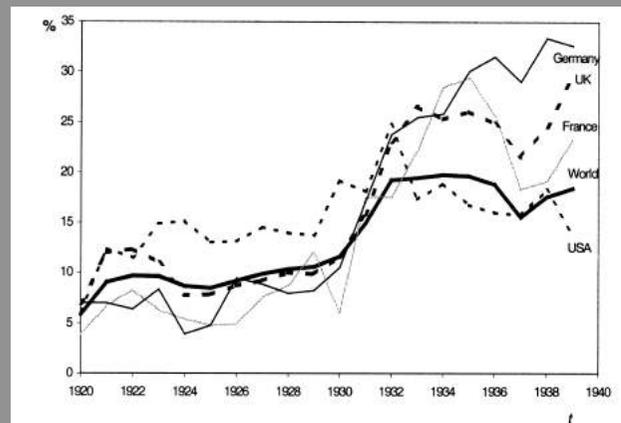


Figure 1. Macro tariff rates. Calculated as tariff duties divided by imports. The world index is computed as the USD import-weighted index for the 17 countries used in this study plus Austria, Greece, Hungary, Portugal, and Spain.

J. Madsen 2001



## Why did the first wave stopped?

Great depression led to a surge of protectionism and a rapid contraction of world trade

Smoot-Hawley Tariff act (1930) raised average U.S. tariffs from 38 to 52 percent and induced retaliation from most foreign countries



## Why is it here?

As stated above, many stress the role of technological changes in the surge of globalization

The fact that some (very distant) markets were already greatly integrated in the late XIXth century contradicts this statement

But how much trade costs decreased in the recent years?... and why?



## Why is it here?



## Why is it here?

90% of world trade by volume is carried by ship

Maritime traffic doubled since 2003 level

In the last decades, maritime transport has known various improvements

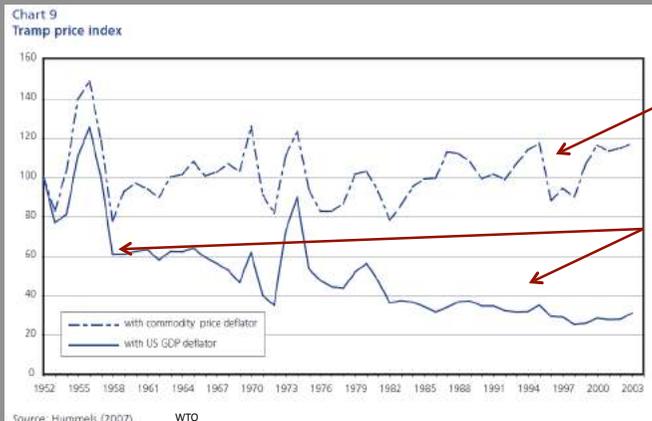
- Containers (in the 1960's)
- Larger and deeper ports and hubs (Hong Kong, Rotterdam...)
- Bigger ships

From 3,000 TEU (Twenty-foot Equivalent Unit) in the 1970s' to more than 19,100 today (CSCL Globe, 2006) "CSCL Globe" fait 400 mètres de long et affiche une capacité de 19.100 EVP

- But oil price also increased transport prices



## Why is it here?



## Why is it here?

Air transport still represents a minor share of world trade in volume  
... but a much greater one in value

US: Air share of trade value		
excluding N America		
Imports	Exports	
	8.1	11.9
	12.1	19.5
	12.0	19.3
	13.9	27.6
	19.8	36.3
	24.6	42.3
	33.1	44.3
	36.0	57.6
	31.5	52.8

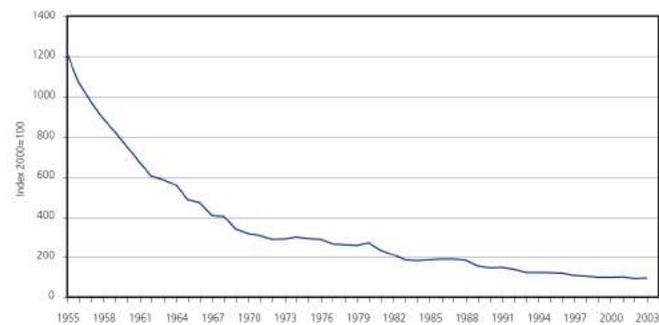
Hummels 2007



## Why is it here?

Air transport still represents a minor share of world trade in volume ... but a much greater one in value , and its price clearly declined

Worldwide air revenue per ton-km



Source: Hummels (2007).

WTO



## Why is it here?

Air transport still represents a minor share of world trade in volume ... but a much greater one in value , and its price clearly declined, especially for long distance

German real air transport prices by destination, 1954-99  
(Indices, 1954=100)

	Index		Average annual percentage change
	1954-56	1997-99	
<b>Intra-Europe</b>			
Rome	95	105	0.2
Paris	95	111	0.4
London	95	114	0.4
Average of 3 destinations	95	110	0.3
<b>Inter-continental</b>			
Hong Kong, China	97	24	-3.2
New York	95	27	-2.9
Bangkok	97	28	-2.9
Montreal	95	28	-2.8
Caracas	95	26	-2.2
Mexico City	95	37	-2.2
Teheran	97	50	-1.5
Tokyo	97	66	-0.9
Johannesburg	97	73	-0.7
Taipei	98	73	-0.7
Cairo	97	73	-0.7
Sydney	95	72	-0.6
Rio de Janeiro	97	88	-0.2
Average of 13 destinations	97	52	-1.4

Note: Based on outbound (Frankfurt/FM) freight rates in US\$ per kg defined by (WTO) world export unit value index of manufactured goods.  
Source: German Federal Statistical Office, Fachserie 17, Reihe 9, various issues and WTO calculations.

WTO



## Why is it here?

Why did air transport prices decrease?

Limited technological progress



2007



## Why is it here?

Why did air transport prices decrease?

Limited technological progress





## Why is it here?

Why did air transport prices decrease?

Limited technological progress

But public decisions:

Investment in infrastructures (airports)  
Deregulation



Pan Am : 1930-1991



Swiss Air: 1931 - 2002



Air Afrique : 1961-2002



TWA: 1925 - 2001



Ryanair : 1985



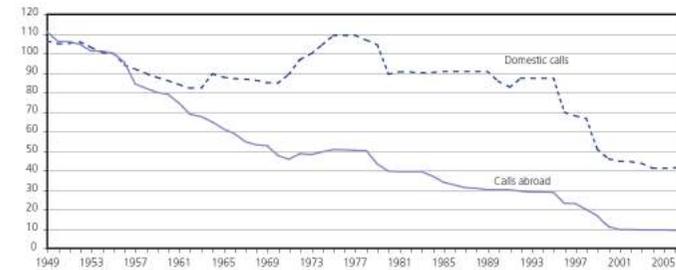
EasyJet : 1995



## Why is it here?

Technological improvement in Telecoms are massive

Prices for domestic and foreign phone calls of Germany, 1949-2007  
(1955 = 100 in local currency, at current prices)

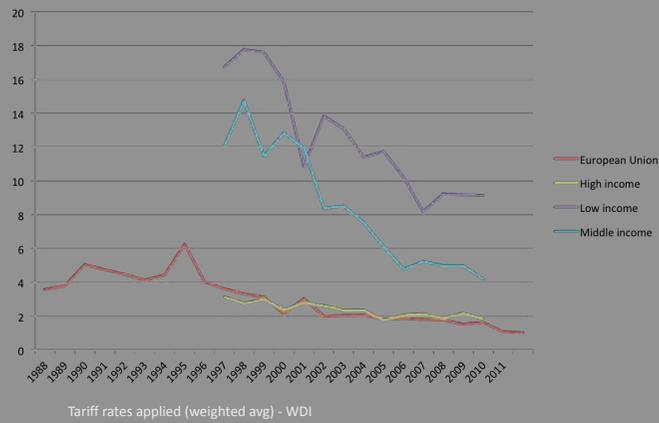


Source: Germany, Federal Statistical Office, Fachserie M Reihe 7 and Fachserie 17 Reihe 7 various issues. wto



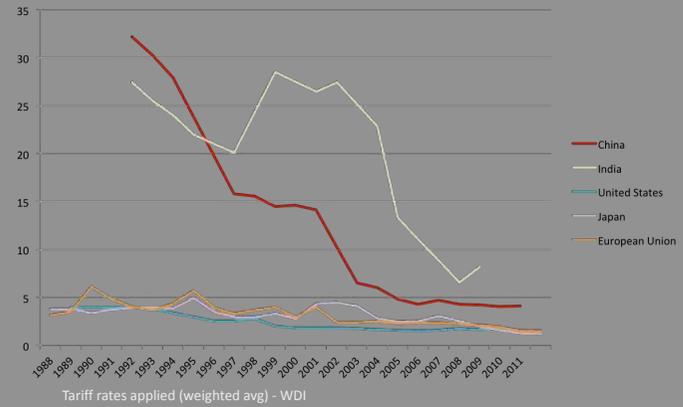
## Why is it here?

Trade protections clearly decreased



## Why is it here?

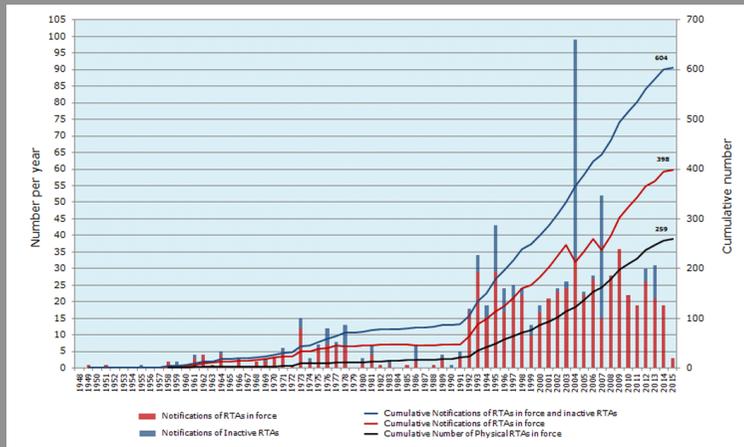
Trade protections clearly decreased





## Why is it here?

Trade protections clearly decreased



## Why is it here?

**Transport cost have declined**

But not that much (and certainly not enough to explain trade growth)  
Large part of this decline is not due to technological changes, but to political decisions

Trade negotiations have greatly facilitated international trade

**Globalization is largely due to political will... and is reversible**



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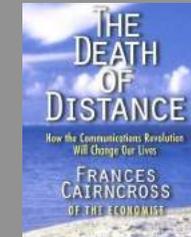
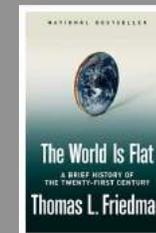
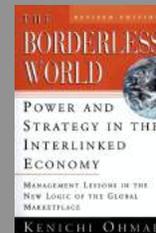


## Is the world flat?

Many (non-academic) commentators claim that the world is now (almost) perfectly integrated, essentially as a result of improvements in transport and communication technologies

They disseminate the idea that borders and distance do not matter anymore for business and culture

But academic economics are very skeptical

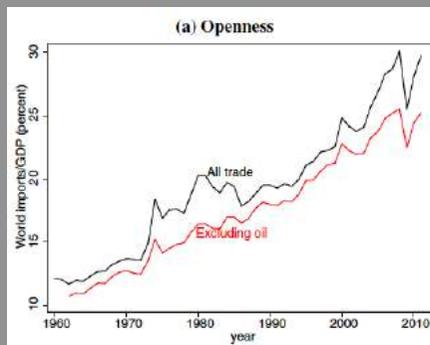




## Is the world flat?

It's true that the world:

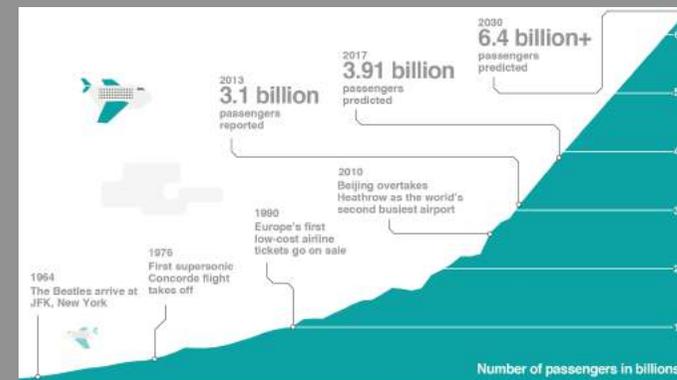
- Trades more



## Is the world flat?

It's true that the world:

- Trades more
- Travels more





## Is the world flat?

It's true that the world:

- Trades more
- Travels more
- Have more and more homogeneous consumption structure and culture



## The law of gravity

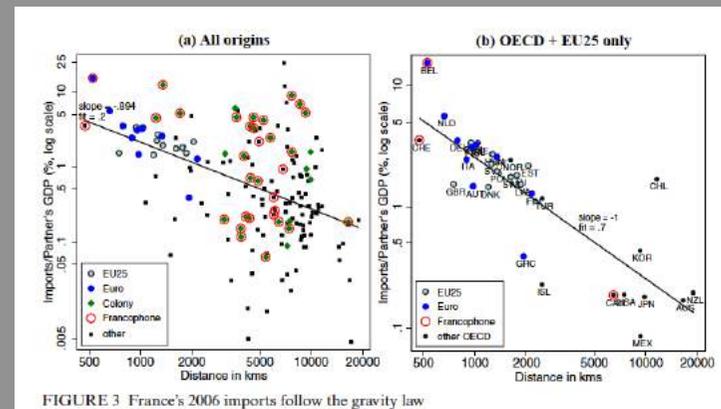
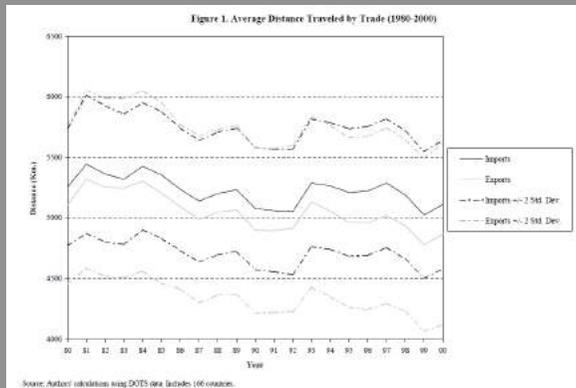


FIGURE 3 France's 2006 imports follow the gravity law



## The law of gravity

Impact of distance did not declined (Berthelon and Freund, 2004)



## Exporting is for the few

In all countries, the proportion of exporting firms is extremely small

Table 2  
Exporting By U.S. Manufacturing Firms, 2002

NAICS industry	Percent of firms	Percent of firms that export	Mean exports as a percent of total shipments
311 Food Manufacturing	6.8	12	15
312 Beverage and Tobacco Product	0.7	23	7
313 Textile Mills	1.0	25	13
314 Textile Product Mills	1.0	12	12
315 Apparel Manufacturing	3.2	8	14
316 Leather and Allied Product	0.4	24	13
321 Wood Product Manufacturing	5.5	8	19
322 Paper Manufacturing	1.4	24	9
323 Printing and Related Support	11.0	5	14
324 Petroleum and Coal Products	0.4	18	12
325 Chemical Manufacturing	3.1	26	14
326 Plastics and Rubber Products	4.4	28	10
327 Nonmetallic Mineral Products	4.0	9	12
331 Primary Metal Manufacturing	1.5	20	10
332 Fabricated Metal Product	10.0	14	12
333 Machinery Manufacturing	5.0	23	16
334 Computer and Electronic Product	4.5	28	21
335 Electrical Equipment, Appliance	1.7	28	13
336 Transportation Equipment	3.4	23	13
337 Furniture and Related Product	5.4	7	10
339 Miscellaneous Manufacturing	3.1	2	15
Aggregate manufacturing	100	18	14

Source: Data are from the 2002 U.S. Census of Manufactures.  
Note: The first column of numbers summarizes the distribution of manufacturing firms across three-digit NAICS manufacturing industries. The second reports the share of firms in each industry that export. The final column reports mean exports as a percent of total shipments across all firms that export in the noted industry.

Bernard, Eaton, Jensen and Kortum  
U.S. plant - 2012



## Exporting is for the few

In all countries, the proportion of exporting firms is extremely small

**Table 1: Exporting Participation**

Export Status	Percentage of Manufacturing Firms				
	China <sup>a</sup>	US <sup>b</sup>	Germany <sup>c</sup>	France <sup>d</sup>	Taiwan <sup>e</sup>
Some Exports	29.6	21	44	17.4	46

Export Value / Gross Production	
China	US
22	14

<sup>a</sup>The statistics are calculated from the Annual Census of Enterprises in China, for all manufacturing firms in 2005.  
<sup>b</sup>Bernard, Eaton, Jensen, and Kortum (2003), 1992 US Census of Manufactures.  
<sup>c</sup>Bernard and Wagner (1997), 1978 and 1992 Annual Survey of Establishments, Lower Saxony State, Germany.  
<sup>d</sup>Eaton, Kortum, and Kramarz (2004), 1986 Customs and BRN-SUSE data source.  
<sup>e</sup>Aw and Hwang (1994), 1986 Taiwanese electronics industry.

Dan Lu



## Exporting is for the few

In all countries, exporters export a small proportion of their output

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Dan Lu



## Exporting is for the few

As a consequence, a very small number of firms handle very large share of countries' exports

Table 4. The Concentration of Trade Flows in the Largest Trading Firms

This table demonstrates the skewed distribution of trade flows across trading firms in 2005. The table reports the percent share of total exports or imports captured by the top 1, 5, 10, 25 or 50 percent of all exporting or importing firms. These statistics are presented for all firms, as well as for each firm ownership type, as indicated in the column heading.

Firm Type	All Firms		State-Owned	Private Domestic	Joint Ventures	Foreign-Owned
	# Firms	% Exports or Imports				
<b>Panel A. Exports</b>						
Top 1%	965	51%	36%	27%	47%	58%
Top 5%	4,829	71%	66%	50%	68%	76%
Top 10%	9,659	80%	78%	64%	78%	84%
Top 25%	24,147	92%	92%	84%	90%	94%
Top 50%	48,295	98%	99%	98%	98%	96%
<b>Panel B. Imports</b>						
Top 1%	763	80%	65%	48%	53%	60%
Top 5%	3,819	82%	84%	74%	80%	80%
Top 10%	7,639	89%	91%	85%	88%	88%
Top 25%	19,098	97%	98%	96%	96%	96%
Top 50%	38,196	99%	100%	99%	99%	99%

Manova and Zhang  
China





## The sources of fragmentation

Borders still matter

- custom procedures
- norms

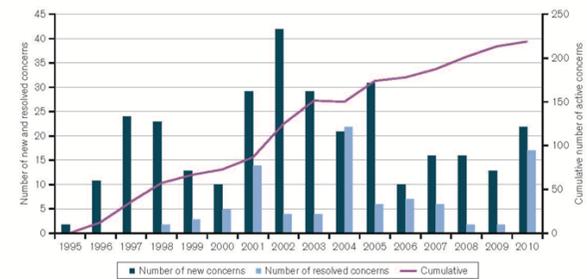


## The sources of fragmentation

Borders still matter

- custom procedures
- norms (SPS and TBT)

Figure C.4: New and resolved SPS specific trade concerns, 1995-2010  
(number of concerns)



Source: WTO STC Database.

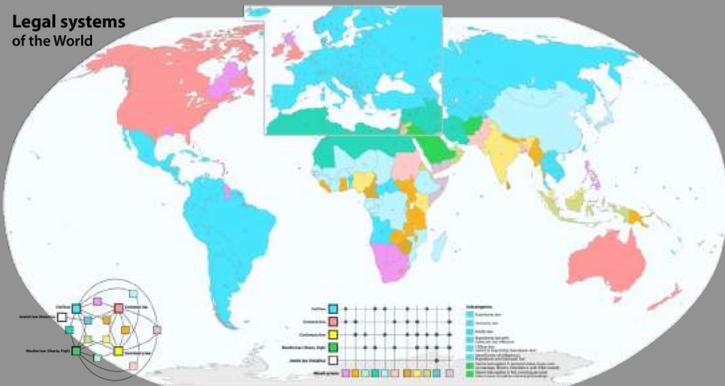


## The sources of fragmentation

Borders still matter

- custom procedures
- norms (SPS and TBT)
- legal systems

Legal systems  
of the World



## The sources of fragmentation

Borders still matter

- custom procedures
- norms (SPS and TBT)
- legal systems
- culture and language: Even the most standardized products need to be adapted



France



U.S.



## The sources of fragmentation

### Borders still matter

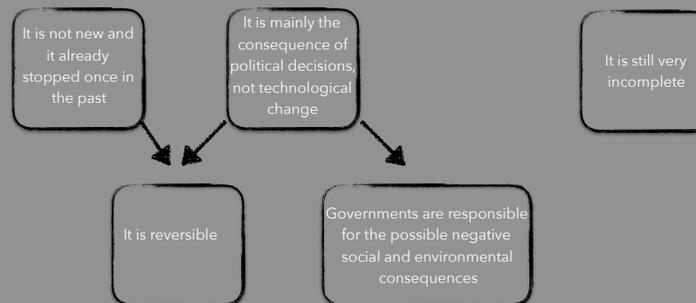
- custom procedures
- norms (SPS and TBT)
- legal systems
- culture and language: Even the most standardized products need to be adapted
- exchange rates and country risk



## Concluding remarks

Globalisation is a fact: It is deep, it involves all countries, it is growing (until recently at least)

However





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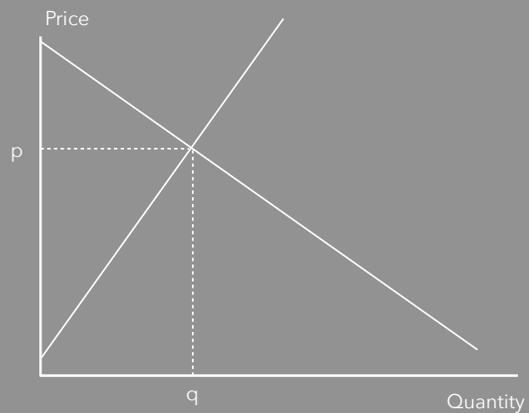
## Trade policy

What is the impact of a trade protection and why do we need to negotiate free trade?



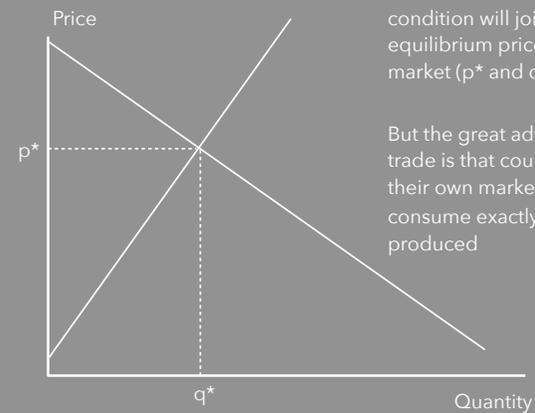
## Trade policy

Let's put together the supply and demand curves



## Trade policy

Let's put together the supply and demand curves



Demand and supply and market clearing condition will jointly determine the equilibrium price and quantity on this market ( $p^*$  and  $q^*$ )

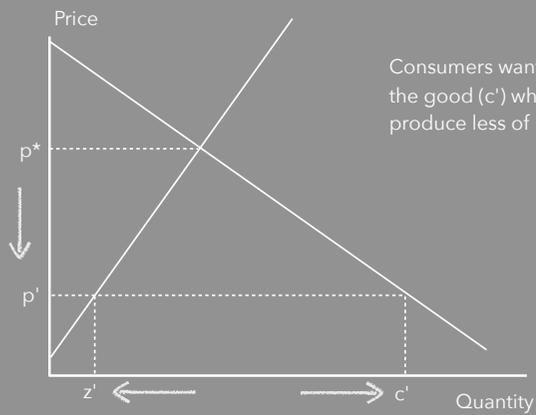
But the great advantage of international trade is that countries don't need to clear their own markets: they don't need to consume exactly what they have produced



## Trade policy

Imagine that the price on world market is lower than  $p^*$ , say  $p'$

Consumers want to consume more of the good ( $c'$ ) while producers will produce less of it ( $z'$ )

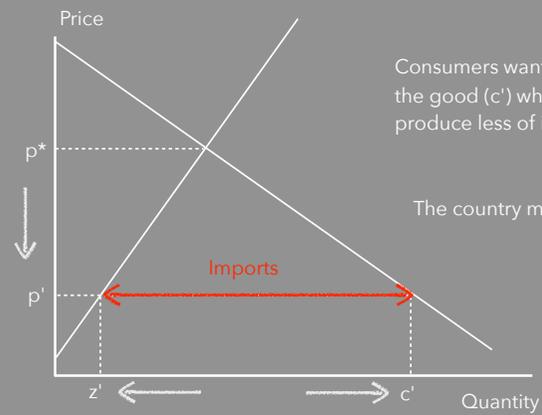


## Trade policy

Imagine that the price on world market is lower than  $p^*$ , say  $p'$

Consumers want to consume more of the good ( $c'$ ) while producers will produce less of it ( $z'$ )

The country must import the quantity ( $c'-z'$ )

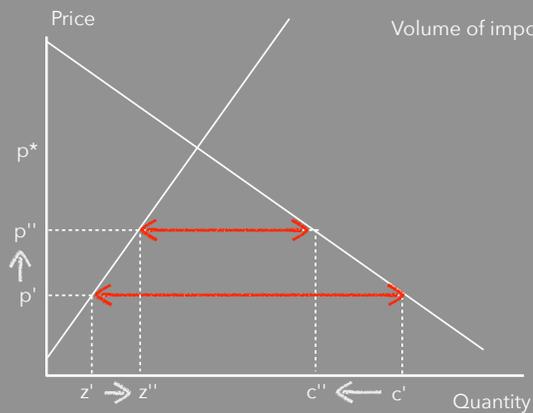




## Trade policy

If world price increase

Volume of imports decreases



## Impact of a tariff

What a tariff is?

A tax paid by home consumers on imported goods

Since the good is homogeneous, it has a unique price on each market

If tariff increases the price of imports, it must also increase the price of domestic production

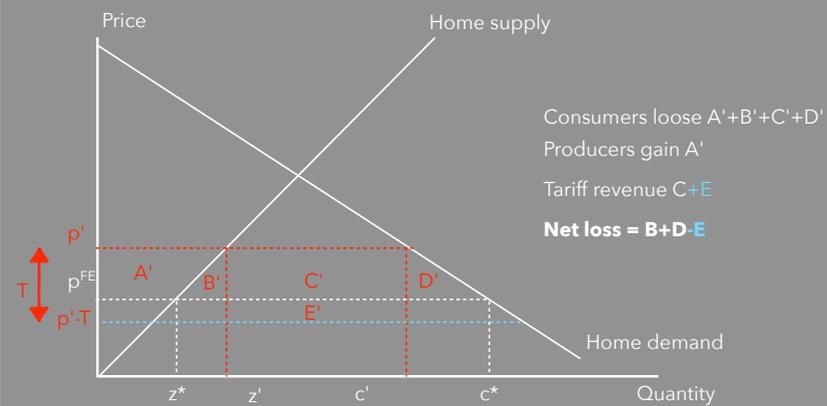
But it should not increase the price on the foreign market

⇒ Tariff introduces a wedge between domestic and border prices



## Impact of a tariff

A tariff increases the price paid by consumers  
→ They consume less → world demand decreases → world price decreases



## Impact of a tariff

For a large country, an import tariff may decrease the import prices  
= increase the Terms of Trade

Net loss =  $B+D-E$  could be negative (= net welfare gain)

But the gain is uncertain and, more importantly, it hurts the foreign country

Foreign government is likely to retaliate = Prisoners' dilemma until countries cooperate



## Road map

1. International trade: Basic facts and perceptions
2. Historical perspective and the causes of globalization
3. A fragmented world?
4. Impact of a trade policy
5. The WTO



## The WTO



WORLD TRADE  
ORGANIZATION

Created in 1995

164 members

Located in Geneva



## The WTO



Roberto Carvalho de Azevêdo

Director General since 2013



## The WTO



Non-Participating countries: Greenland, South-Sudan, Somalia, Eritrea, Turkmenistan, North Korea



## WTO: History

Great depression led to a surge of protectionism and a rapid contraction of world trade

At the end of WW2 = willingness to have a better regulation of the world economy

Aims = prevent world crises by a better coordination of macro policies + prevent wars by fostering economic interdependence between countries

⇒ **Bretton Woods' agreements**



## WTO: History

### **Bretton Woods' agreements**

Gold Exchange Standard  
IMF  
World Bank



Harry Dexter White and John Maynard Keynes

Harry Dexter White (à gauche) et John Maynard Keynes



## WTO: History

1945 : Roosevelt proposes an additional international organization in charge of international trade issues

Havana Conference (1948) proposes a treaty creating the **International Trade Organisation**

The US congress refused to ratify the treaty... The ITO never born

But something subsisted:

In 1947, 23 countries preparing the Havana conference defined a set of temporary rules for further negotiation

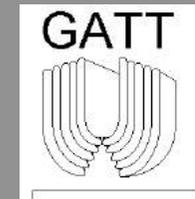
It was the *General Agreement on Tariffs and Trade* = GATT



## WTO: History

GATT was just an agreement, but not an international organization

⇒ Officially there was no "GATT members "  
but just "contracting parties"



The GATT persists today

It is still the WTO's principal rule-book for trade in goods.



## WTO: History

Rounds	Year	# of countries	Decisions
Geneva	1947	23	4500 tariff cuts
Annecey	1949	33	Some additional tariff cuts
Torquay	1951	34	55 000 tariff cuts
Dillon	1960-61	34	Adjustments due to the creation of the EU
Kennedy	1964-67	48	Linear tariff cut of 35% (20% for agriculture)



## WTO: History

Rounds	Year	# of countries	Decisions
Tokyo	1973-79	99	Several specific agreements (on dumping, subsidies, public procurement...) Reduction of 4.7% of the tariffs for developed countries
Uruguay	1986-94	128	Additional 38% tariff cut End of the "multi fibre agreement" (phasing out until 1995) GATS (services) Creation of the WTO



## The WTO Mandate

### Marrakesh Agreement Establishing the World Trade Organization

#### Article I

##### Establishment of the Organization

The World Trade Organization (hereinafter referred to as "the WTO") is hereby established.



## The WTO Mandate

### Article II Scope of the WTO (Extract)

1. The WTO shall provide the common institutional framework for the conduct of trade relations among its Members in matters related to the agreements and associated legal instruments included in the Annexes to this Agreement.

2. The WTO shall provide and manage trade agreements (either multilateral or plurilateral) and companion tools for the conduct of trade policies.

3. The agreements and associated legal instruments included in Annex 4 (hereinafter referred to as "Plurilateral Trade Agreements") are also part of this Agreement for those Members that have accepted them, and are binding on those Members. The Plurilateral Trade Agreements do not create either obligations or rights for Members that have not accepted them.



## The WTO Mandate

Article III  
Functions of the WTO (Extract)

1. The WTO shall facilitate the implementation, administration and operation of Trade Agreements.  
**Administrate the multilateral trade agreements + the plurilateral ones**

2. The WTO shall provide the forum for negotiations among its Members

**Create a negotiation forum for all trade-related concerns + organize negotiations for future agreements**

trade relations, and a framework for the implementation of the results of such negotiations, as may be decided by the Ministerial Conference.

3. The WTO shall administer the Understanding on Rules and Procedures Governing the Settlement of Disputes (or "DSU") in Annex 2 to this Agreement.  
**Manage conflicts between members**



## The WTO principles

### GATT/WTO

The WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities. They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more. **But a number of simple, fundamental principles run throughout all of these documents. These principles are the foundation of the multilateral trading system**



## The WTO principles

1. Trade policy commitments
2. Tariffs are the only permissible form of protection
3. non-discrimination
4. reciprocity
5. enforcement obligations
6. transparency
7. safety valves



## The WTO principles

### 1. Trade policy commitments = types of agreements

There are three layers of legal obligations:

i. **Multilateral set of obligations:** provisions that bind all members upon accession. All members have to respect these obligations:

GATT = general agreement on tariff and trade

GATS = general agreement on trade in services

TRIPS = trade-related intellectual property rights

ii. **Plurilateral set of obligation:** Provisions that bind only those WTO members which have signed the corresponding agreements:  
Trade in civil aircrafts and Public procurement

iii. Obligations included in **protocols of accession.**



## The WTO principles

### 2. Protection through tariffs only

Because tariffs and less discursive and more transparent instruments of protection, WTO members cannot use quotas or NTBs to restrict trade in goods. Subsidies are also disciplined.

tariff quotas can be used, but they cannot be prohibitive.



## The WTO principles

### 3. Non-discrimination (1)

1. Most-favoured-nation (MFN) treatment= treating other people equally

Article 1 of the General Agreement on Tariffs and Trade (GATT)

Article 2 of the General Agreement on Trade in Services (GATS)

Article 3 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

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.

Exceptions (under strict conditions):

Regional trade agreements (reciprocal)

Preferential trade agreements (unilateral)

Specific barriers raised against products that are considered to be traded unfairly from specific countries (anti-dumping)



## The WTO principles

### 3. Non-discrimination (2)

2. National treatment: Treating foreigners and locals equally

Article 3 of GATT

Article 17 of GATS

Article 3 of TRIPS

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. National treatment only applies once a product, service or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment.

e.g. The product and market regulation should not discriminate against foreign producers



## The WTO principles

### Examples

#### Japan Alcoholic beverage, 1996

Japanese Liquor Tax Law that established a system of internal taxes applicable to all liquors at different tax rates depending on which category they fell within. The tax law at issue taxed shochu at a lower rate than the other products.

Foreign producers (e.g. of Vodka) complained. The key issue of the discussion was whether Vodka and Shochu are the same kind of products or not (are they substitutable products or not?)

#### U.S. clean air act 1995

The U.S. clean air act imposed producers of gasoline to improve their products to reduce the quantity of polluting components. The regulation imposed a complex rule of improvement of the gasoline. But, for U.S. producers, the required improvement was based on their 1990 levels. For foreign firms, since this level cannot be observed and certified, they had to use the 1990 U.S. average.

The regulation was not the same for domestic and foreign producers.



## The WTO principles

### 4. Reciprocity

The MFN principle may induce free-riding behavior = accept the advantage given by NPF, but never give concessions.

WTO encourages reciprocity = offer concessions against comparable concessions from partners.

For new members, it means that joining countries are expected to reduce their own trade protection in exchange of better access to the incumbent members' markets



## The WTO principles

### 5. Enforcement of policy commitments

If a country observes that actions taken by a foreign government impairs negotiated market access commitments or discipline of the WTO, it may invoke *WTO dispute settlement procedure*.



## The WTO principles

### 5. Enforcement of policy commitments

When a case is raised to the WTO dispute settlement body, a panel of independent experts is established. It is charged to determine whether a contested measure violates the WTO rules and what could be the appropriate response.

This dispute settlement body is often seen as a form of supranational power since it judges (and eventually contests) the validity of domestic decisions

However:

- It focuses only on the compliance with WTO agreements, signed freely by each countries
- Private agents cannot stand before the WTO dispute settlement body (= a private firm cannot, alone, contest a decision made by a foreign government)
- It precludes the use of unilateral retaliation, which would be much more favorable to bigger countries



## The WTO principles

### 6. Transparency

Transparency on trade policies is a legal obligation:

GATT: Article X  
GATS: Article III  
TRIPS: Article 63

Trade policies and trade-related regulations must be notified to the WTO, who publish them and exploit them to prepare them country-specific reports



## The WTO principles

### 7. Safety valves

The WTO allows some flexibility and recognizes that countries may need to restrict trade in specific circumstances

3 types of provision allow for the use of trade measures:

- To attain non-economic outcomes: i.e. policies to protect public health (countries may block imports of beef meat potentially affected by "mad cows" diseases), or diplomatic sanctions.
- To preserve "fair competition". Members can governments have the right to protect industries that are seriously injured by import competition.
  - Countries may have the opportunity to give their industries the time needed to adapt to sudden changes in import induced competition. This contributes to preserve fair competition in the future
  - Countries may also counter unfair competition. They can impose countervailing duties to imports that have been subsidized and anti-dumping duties on imports that have been dumped



## Can Trump trump the WTO?

Donald Trump's said he could impose 45% tariff on imports from China and Japan and 35% on Mexican

Is that possible?

It seems not:

Binding coverage is 100%  
for the U.S.A.

For non-agricultural  
products:  
Average Bound = 3.27%  
Average MFN = 3.24%





## Can Trump trump the WTO?

Donald Trump's said he could impose 45% tariff on imports from China and Japan and 35% on Mexican



The official campaign website is more subtle



## Can Trump trump the WTO?

### Donald J. Trump's 7 Point Plan To Rebuild the American Economy by Fighting for Free Trade

1. Withdraw from the Trans-Pacific Partnership, which has not yet been ratified.
2. Appoint tough and smart trade negotiators to fight on behalf of American workers.
3. Direct the Secretary of Commerce to identify every violation of trade agreements a foreign country is currently using to harm our workers, and also direct all appropriate agencies to use every tool under American and international law to end these abuses.
4. Tell NAFTA partners that we intend to immediately renegotiate the terms of that agreement to get a better deal for our workers. If they don't agree to a renegotiation, we will submit notice that the U.S. intends to withdraw from the deal. Eliminate Mexico's one-side backdoor tariff through the VAT and end sweatshops in Mexico that undercut U.S. workers.
5. Instruct the Treasury Secretary to label China a currency manipulator.
6. Instruct the U.S. Trade Representative to bring trade cases against China, both in this country and at the WTO. China's unfair subsidy behavior is prohibited by the terms of its entrance to the WTO.
7. Use every lawful presidential power to remedy trade disputes if China does not stop its illegal activities, including its theft of American trade secrets - including the application of tariffs consistent with Section 201 and 301 of the Trade Act of 1974 and Section 232 of the Trade Expansion Act of 1962.



## Can Trump trump the WTO?

### Donald J. Trump's 7 Point Plan To Rebuild the American Economy by Fighting for Free Trade

1. Withdraw from the Trans-Pacific Partnership, which has not yet been ratified.

No problem



## Can Trump trump the WTO?

### Donald J. Trump's 7 Point Plan To Rebuild the American Economy by Fighting for Free Trade

2. Appoint tough and smart trade negotiators to fight on behalf of American workers.

No problem  
U.S. President can appoint  
whoever he wants... but we  
don't know what it really  
means



## Can Trump trump the WTO?

### Donald J. Trump's 7 Point Plan To Rebuild the American Economy by Fighting for Free Trade

3. Direct the Secretary of Commerce to identify every violation of trade agreements a foreign country is currently using to harm our workers and also direct all appropriate agencies to use every tool under American and international law to end these abuses.

No problem  
But hard to imagine it is not  
actually the case

Since 1995, USA raised 111 dispute  
settlement cases + 133 as a third  
party  
EU complained 97 times +  
158 as a third party



## Can Trump trump the WTO?

### Donald J. Trump's 7 Point Plan To Rebuild the American Economy by Fighting for Free Trade

4. Tell NAFTA partners that we intend to immediately renegotiate the terms of that agreement to get a better deal for our workers. If they don't agree to a renegotiation, we will submit notice that the U.S. intends to withdraw from the deal. Eliminate Mexico's one-side backdoor tariff through the VAT and end sweatshops in Mexico that undercut U.S. workers.

U.S.A can withdraw from  
NAFTA

Reference to VAT issue is bizarre  
1. VAT is a consumption tax, which  
applies to imports and local products,  
but not exports. It is NOT a trade  
protection  
2. No direct mean to change foreign  
internal policies



## Can Trump trump the WTO?

### Donald J. Trump's 7 Point Plan To Rebuild the American Economy by Fighting for Free Trade

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??  
Seems to mean that everything will be done  
to raise trade concerns against China and  
call for safeguard measures



## Uruguay Round

The Uruguay round, started in 1986 in Punta del Este (Uruguay) and ended in Marrakech in 1994.

Very large agreement that extended the GATT and founded the WTO, with the introduction of new rules



## Uruguay Round

- (i) Tariffs
- (ii) Agricultural policies
- (ii) Termination of MFA
- (iii) General Agreement on Trade in Services (GATS)
- (iv) Trade-Related Investment Measures (TRIMs)
- (v) Trade-Related Intellectual Property (TRIPs)
- (vi) Strengthening of dispute settlement mechanism



## Uruguay Round

(i) Tariffs reduction

Advanced economies average

→ They dropped

tariffs by 40% on

Table 1  
Pre- and Post-Uruguay Round Tariff Profiles for Imports of Industrial Products,<sup>a</sup> by Country Group

Tariffs by Country Group	Billions of U.S. Dollars <sup>b</sup>	Imports	
		Pre-UR	Post-UR
<b>Advanced Economies</b>			
Total	738.0	100	100
Duty-free <sup>c</sup>	149.5	20	64
0.1—5.0%	304.2	41	32
5.1—10.0%	178.8	24	15
10.1—15.0%	51.5	7	5
15.1—35.0%	45.1	6	4
Over 35%	9.8	1	1
<b>Developing Economies</b>			
Total	350.5	100	100
Duty-free <sup>c</sup>	137.3	39	42
0.1—5.0%	20.5	6	5
5.1—10.0%	26.1	8	10
10.1—15.0%	14.4	4	5
15.1—35.0%	96.5	28	30
Over 35%	53.8	15	8
<b>Transition Economies</b>			
Total	34.7	100	100
Duty-free <sup>c</sup>	4.8	13	16
0.1—5.0%	5.2	27	37
5.1—10.0%	6.6	27	26
10.1—15.0%	7.5	22	7
15.1—35.0%	3.4	10	4
Over 35%	0.2	0	0

<sup>a</sup>Excludes items for which duties are not available in *ad valorem* terms, since these items cannot be distributed by duty ranges, and also petroleum.

<sup>b</sup>Data are primarily for 1990 or 1989 and are for imports from sources receiving MFN or generalized system of preferences treatment, excluding imports from free trade area partners and imports under contractual preferential arrangements.

<sup>c</sup>Figures refer to tariff lines which were duty-free prior to the Uruguay Round, including those that were fully bound, partially bound or unbound. Note: Data may not add to totals shown because of rounding.

Source: General Agreement on Tariffs and Trade, "The Results of the Uruguay Round of Multilateral Trade Negotiations" (Geneva: November 1993).

Fieleke, 1995



## Uruguay Round

### (ii) Agricultural policies

A) The principle of tariffication did not apply to agricultural products under the GATT. The Uruguay Round agreement urged countries to convert all quantitative restrictions into import tariffs for agricultural products + impose tariff cuts:

- Developed countries have to reduce tariffs by 36% on average
- Developing countries have to reduce tariffs by 24% on average
- Least developed countries are exempt from tariff reduction

B) It also limited the use of export subsidies for agricultural products (for "Amber" and "Blue" boxes, gathering domestic supports more or less directly linked to the production).

C) Sharp decrease of export subsidies

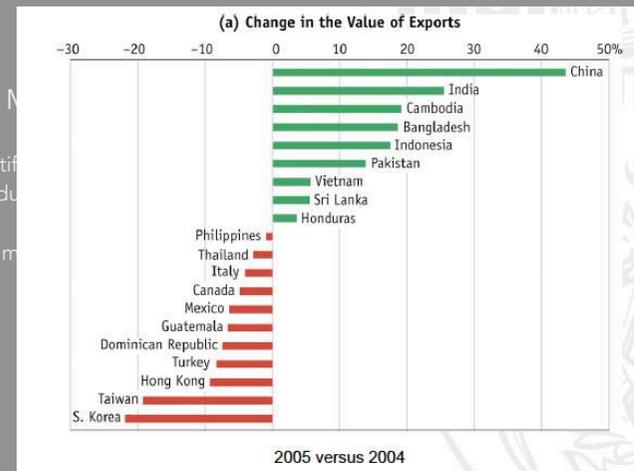


## Uruguay Round

### (iii) N

Multif

UR im



From Ossa's Slides



## Uruguay Round

### (iii) GATS

General agreement on trade in services. Extends the GATT principles to cross-border exchanges of services

- Non-discrimination through the MFN principle: All foreign firms should face the same regulations
- Transparency: Information on all regulations concerning services markets have to be rapidly and widely disseminated
- Domestic regulations (which apply to all firms, including domestic ones) should not be "administered in a reasonable, objective and impartial manner"
- Firms having a status of national monopoly cannot compete on foreign markets

Touchy issue because it impacts market regulations + sensitive sectors (public services - health, education, etc., and cultural services)



## Uruguay Round

### (iv) TRIM

Aims at "facilitating investment across international frontiers".  
Covers goods only, not services

It is not an agreement on the regulation of foreign investments.  
It is mainly a complement to the GATT, aiming to clarify the status of multinational enterprises.

It focuses on investment measures that infringe GATT principle of non-discrimination, e.g. local content requirements (i.e. regulations imposing to foreign producers a minimum level of local inputs)



## Uruguay Round

### (iv) TRIPS

TRIPS requires member states to provide strong protection for intellectual property rights

Highly controversial because it links a non-trade issue to the WTO and is mainly to the advantage of multinational corporations in developed countries at the expense of technology adoption in developing countries + serious issues related to access to innovative pharmaceutical products



## Doha Round



After Seattle fiasco, a new round is launched at Doha in Nov. 2001

The Doha Development Round objectives :

- Addressing development concerns of developing countries
- Redressing the imbalance between developed and developing countries in commitments and outcomes from the Uruguay Round results and their implementation.

The Round was to be concluded by Jan.1 2005...



## Doha Round

### Mandate: Coverage

1. Market access in:
  - Agriculture
  - Non-Agricultural manufactures (NAMA = Non-agricultural market access )
  - Services
2. Implementation and Rules = make the WTO rules more favorable to small countries and developing countries + help developing countries to implement the decisions
3. Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS)
4. Singapore Issues:
  - Trade Facilitation / Government procurement
  - Trade and investment / Trade and competition
6. Trade and Environment Issues



## Doha Round

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  - Trade and investment / Trade and competition
6. Trade and Environment Issues



## Doha Round

Meetings

- Doha, 200
- Cancún, 2003
- Geneva, 200
- Paris, 2005
- Hong Kong, 2005
- Geneva, 2006
- Potsdam, 2007
- Geneva, 2008

Negotiations collapsed over a different between United States and India (and China). The latter asked for a more favorable special safeguard mechanism for agricultural goods

Bali, 2013 = "Doha Light"

Trade facilitation / Export facilities given to least developed countries / Reduction of agricultural subsidies



## Doha Round

**Trade facilitation agreement is the first global agreement signed since the creation of the WTO**

The Trade Facilitation Agreement (TFA) sets forth a series of measures aiming to ease the moving goods across borders, by adopting simpler and faster custom procedures, inspired by the best practices from around the world.

The Agreement states that assistance and support should be provided to help countries achieve that capacity.



## Some debates

- Anti-Dumping and market economy status
- Intellectual property Rights and geographical indications



## Anti-dumping

If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be "dumping" the product. The WTO anti-dumping agreement allows importing countries to act against dumping, e.g. by charging extra import duty on the particular product from the particular exporting country



## Anti-dumping

If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be "dumping" the product. The WTO anti-dumping agreement allows importing countries to act against dumping, e.g. by charging extra import duty on the particular product from the particular exporting country



## Anti-dumping

A difficulty is to estimate the price "normally charged" ... especially for countries that are not market economies and where prices are not market prices.

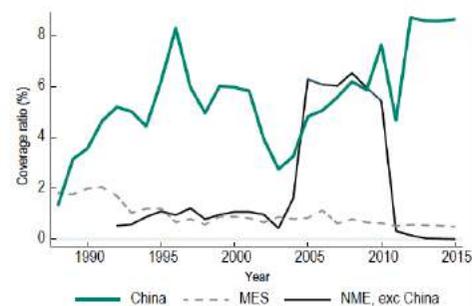
For non-market economies, the "normal" price estimation is based on the observation of export prices by "comparable" market economies export prices

When China joined the WTO in 2001, it agreed to a 15-year period during which other members would be allowed to consider this country as a non-market economy. The transitional period ends on December 11, 2016.



## Anti-dumping

Figure 2 – Share of trade in the tariff lines affected by antidumping measures – Based on trade on the year before initiation



Source: Author's calculations, based on Bown (2015), Eurostat Comext and information published by the European Commission on each investigation.

Bellora & Jean, 2016



## Intellectual property rights - the case of agri-food products

Intellectual property Rights is a crucial and complex problem

Very important for developed nations who are seeking garanties for their R&D investments that procure them competitive advantages

Important for developing countries who need to access to advanced technologies



## Intellectual property rights - the case of agri-food products

The case of "Geographical Indications" is an example of the the international conflicts over IPR

The WTO - TRIPS agreement defines "geographical indications" as indications that identify a good as "originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin.



## Intellectual property rights - the case of agri-food products

But there is a fundamental difference between European and US philosophy

The EU defines products based on "terroirs", i.e. all producers in a specific region and using strictly defined procedures can produce a specific agri-food products and use the corresponding geographical indication

In the U.S. the naming is generally considered to be a matter of intellectual property right. The name, even when it evokes a city or a region, can be use as a trademark by a firm... and other producers do not have the right to use it.



## Intellectual property rights - the case of agri-food products



Parma is an old Italian city famous for its cheese and ham

Parma is a brand own by Maple Leaf



## Intellectual property rights - the case of agri-food products



Champagne is a French region

... far away from California

