

Introduction to the Council

As society progressed into one dominated by transboundary trade, world leaders looked for ways to regulate and facilitate international trade between nations – leading to the creation of the World Trade Organization (WTO). Acting as the successor to the General Agreement on Tariffs and Trade (GATT) and upholding the motto of “open trade for the benefit of all,” the WTO is a platform for member countries to negotiate trade agreements and resolve any trade disputes (WTO, n.d.-i). In accordance with the organization’s founding Marrakesh Agreement, the fundamental mandate of the WTO is to assist member states in using trade as a means to raise living standards, ensure full employment, increase real income, expand global trade and services, and optimize the use of world resources (WTO, n.d.-i). Thus, by creating a balance of lowering and maintaining trade barriers, the WTO strives to open global trade markets while protecting consumers and the environment.

With 164 member states, the WTO currently manages 60 international and approximately 300 regional trade agreements. These contracts dictate the rules for international commerce and bind governments to keep their trade policies within the agreed limits. Therefore, rules supervised by the WTO must be transparent, predictable, and without sudden changes to ensure a consistent free flow of global trade (WTO, n.d.-h). To assist member states in the rules negotiation process and guarantee that international trade rules are applied and enforced correctly, the WTO employs over 600 staff members and experts – lawyers, economists, statisticians, communication experts, etc. – as a part of the Secretariat (WTO, n.d.-b). On a daily basis, the WTO Secretariat and member states have 5 basic functions:

1. Negotiate trade agreements in accordance with the principles of liberalization,
2. Implement and monitor trade policies in each member state,
3. Settle trade disputes in accordance with the WTO Dispute Settlement Understanding,
4. Build the trade capacity of developing member states through technical cooperation programs,
5. Maintain regular dialogues with the general public about ongoing negotiations to enhance cooperation and increase awareness of WTO activities (WTO, n.d.).

The decision-making process in the WTO is divided into three tiers of hierarchy. At the top is the Ministerial Conference held every two years. Under it is the General Council, consisting mainly of ambassadors and heads of delegation in Geneva, which meets several times a year and doubles as the Trade Policy Review Body and the Dispute Settlement Body. Below the General Council is the Goods Council, Services Council, and Intellectual Property Council, along with numerous specialized committees, working groups, and working parties. Within this decision-making hierarchy, all WTO member states may participate in all desired councils and committees, except for the Appellate Body, Dispute Settlement panels and plurilateral committees (WTO, n.d.-g).

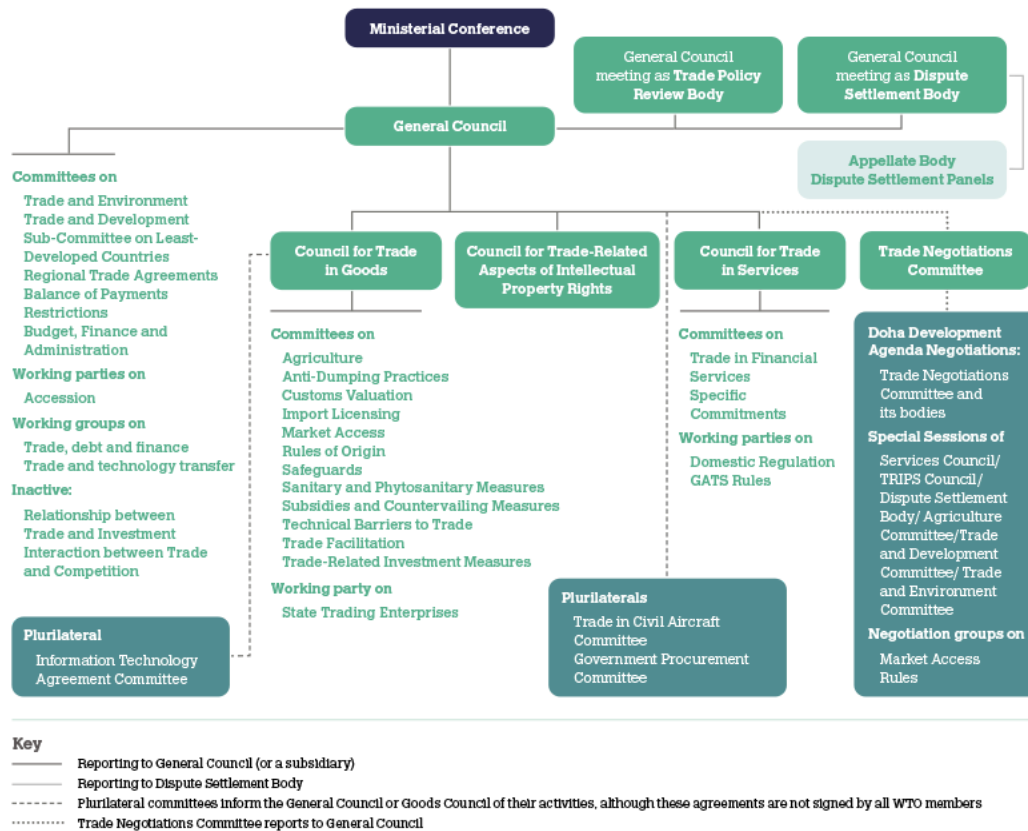


Figure 1. Organization chart of the WTO decision-making hierarchy (Source: WTO, n.d.-g)

The WTO's current overarching agendas revolve around the Doha Development Agenda (DDA), the organization's latest negotiation rounds. Covering about 20 areas of international trade, the Doha Round's main aim is to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade rules (WTO, n.d.-d). While the Doha Round officially ended in 2015 due to the unpreparedness of some member states to continue negotiations, WTO member states are currently still striving to complete negotiations on the remaining Doha issues (WTO, n.d.-a). As determined by the 13th Ministerial Conference in Abu Dhabi, the WTO's focus items in 2024 are to have a fully and well-functioning dispute settlement system and to improve the use of the special and differential treatment (S&DT) provisions for developing and least developed countries (LDCs) (WTO, 2024).

Introduction to the Topic

In any event or circumstances, the establishment of free trade has always made trade relations very significant among countries. Ever since the ratification of the GATT that led to the formation of the World Trade Organization, international trade became the result of economic globalism from globalization. In fact, according to the International Monetary Fund, international trade has never been de globalized. Despite the slowed down global trade due to the financial crisis in 2008-2009 and the pandemic in 2020, or the heightened tariffs between

China and America, these variables did not reduce trade looking from the share of GDP for both export and import growth.

In order to sustain the state of “free trade”, fair practices are needed to be ensured.

Past Actions

A. The Tokyo Round (1973-1979)

With 102 participating countries, the Tokyo Round carried over GATT’s efforts to reduce tariff barriers for international trade. Through the 6-year-long negotiations, countries developed and agreed on measures relating to anti-dumping, government procurement, and “codes,” which are technical and other non-tariff barriers to trade (WTO, n.d.-e). These agreements succeeded in lowering the average tariff on industrial products to 4.7% by cutting, on average, one-third of custom duties in major industrial markets. To ensure stability during the rather drastic tariff reductions, the Tokyo Round introduced “harmonization,” meaning that the tariff cuts were gradually implemented over 8 years with constant proportionality – the higher the tariff, the larger the cut (WTO, n.d.-c).

While the Tokyo Round touched upon novel issues, its agreements were not accepted by all GATT members as they lacked emergency import measures and did not tackle the fundamental problems affecting farm trade, especially in developing countries (WTO, n.d.-e). The aforementioned “codes” were later further discussed and amended in the Uruguay Round. Nevertheless, the Tokyo Round represented the political willingness of countries to cooperate in creating an open and free trading system. Quoting the 1980 Staff Working Paper No. 372 by the World Bank (1980), “The Tokyo Round agreements may be important not so much for what they will accomplish as for what they will prevent.”

B. The Uruguay Round (1986-1994)

Known as the round that ended all rounds, the Uruguay Round marked the biggest reform in the world’s trading system since GATT. Amongst many, the Uruguay Round’s most significant early outcomes are the agreement on a package of cuts in import duties on tropical products mainly exported by developing countries, the revision on the rules for settling disputes, and the beginning of regular reports on GATT members’ trade policies (WTO, n.d.-f). While initially expected to end in 4 years, the Uruguay Round experienced a deadlock in December 1990 due to disagreements on agricultural trade reformation, differences between the United States’ and the European Union’s outlook, and the emergence of new conflicts in agricultural trade (Fieleke, 1995). Thus, an extended period of negotiations ensued.

On December 15, 1993, the 117 participating countries finally reached a consensus and agreed on the “Final Act” of the Uruguay Round. The main prescriptions of the Final Act are, among others,:

1. Reduction of tariffs on industrial products by an average of more than one-third,

2. Progressive liberalization of trade in agricultural goods,
3. Establishment of the World Trade Organization (WTO) to facilitate the implementation of multilateral trade agreements and to serve as a forum for future negotiations (Fieleke, 1995).

The Uruguay Round agreements also set timetables for future work, often called the “built-in agenda.” While there were over 30 items in the original built-in agenda, it has been modified and a number of said items are now part of the Doha Development Agenda (DDA) (WTO, n.d.-f).

C. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is one of the world’s largest free trade agreements (FTA) by GDP with 11 signatories; Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam (CPTPP International Center, n.d.). Although originally initiated by Former President Barack Obama as the Trans-Pacific Partnership (TPP), the United States has not been a member of the current CPTPP ever since Former President Trump’s withdrawal from the deal in 2017. Worth 15% of the global GDP, the CPTPP was designed to give signatory states greater access to one another’s markets and reduced tariffs on trade on the vast majority of items through regulations and standards (Edmond, 2023). Furthermore, signatories of the CPTPP also agree on obligations related to food regulations, environmental protections, the digital economy, and regulations over investment, labor, financial services, and many more. Since entering into force in 2018, several additional countries have applied and/or shown interest in joining the FTA, including China, Ukraine, and Uruguay among others. However, the signatory status can only be granted upon consensus among existing signatories (Schott, 2023).

D. Regional Comprehensive Economic Partnership (RCEP)

Passing the CPTPP, the Regional Comprehensive Economic Partnership (RCEP) is the largest global FTA with 15 signatories accounting for 29% of the world’s GDP; Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, South Korea, Thailand, and Vietnam. It was built upon the existing ASEAN+1 FTAs with the aim to strengthen economic linkages, enhance trade and investment activities, and minimize the development gap among signatory states (RCEP Secretariat, n.d.). Although not as strict and comprehensive as the CPTPP, signatories of the RCEP have also agreed to phase out tariffs on goods and services, as well as regulate – among others – investment, economic and technical cooperation, intellectual property, competition, dispute settlement, e-commerce, and small and medium enterprises (SMEs) (Schott, 2023). Guided by ASEAN values and principles, the RCEP strives to encourage deeper supply chain regulation across the 15 signatory states and provide fair regional economic policies for the mutual benefit of all signatories (RCEP Secretariat, n.d.).

Scope of Debate

The Future of Protectionism

Since the onset of the COVID-19 pandemic and amid external shocks like the Russo-Ukrainian War, global trade has experienced a retreat, marked by a surge in protectionist measures by numerous Member States grappling with supply chain disruptions and resource scarcities. According to the WTO, over 20 countries have restricted food exports to some degree following the conflict in Ukraine, contributing to record-high food prices in 2022 due to diminished agricultural output worldwide and concerns over a potential global food crisis (Bove, 2022). Despite WTO regulations aimed at curbing export restrictions, Member States have invoked Article XI: 2(a) and Article XX(b) (General Exceptions) of the General Agreement on Tariffs and Trade 1994 (GATT), which permit export controls under critical circumstances, to justify their protectionist actions during the pandemic and the Russo-Ukrainian conflict.

Recently, the Biden Administration announced its "Buy American" initiative, emphasizing domestic manufacturing and reducing reliance on Chinese exports, particularly for critical materials like drywall and fiber optic cables (Thompson, 2023). Other measures, such as the Inflation Reduction Act (IRA), offering subsidies and tax incentives to domestic renewable energy companies, have drawn criticism from international counterparts like the EU and China, citing potential violations of WTO rules (Henley & Rankin, 2023; Valero & Deutsch, 2022).

While proponents of protectionism cite the pandemic and geopolitical tensions as justifications for reducing reliance on free trade, the WTO has consistently opposed such measures, advocating for the preservation of global free trade. In its 2021 report, the WTO warned that policies promoting domestic self-sufficiency and trade restrictions would diminish future economic efficiency, emphasizing that free trade, leveraging production advantages, fosters economic resilience (ICAEW Insights, 2021). As research by the Boston Consulting Group (BCG) forecasts a deceleration in trade growth over the next nine years, particularly impacting the energy sector due to global dependence on Russian oil and gas, the WTO's role in safeguarding international trade becomes increasingly vital, especially amidst concerns of an impending economic downturn (Gilbert et al., 2023). However, achieving this goal remains challenging as Member States continue to prioritize internal concerns amid shortages in crucial commodities like agriculture and technology, reflecting a pervasive skepticism toward the existing trade landscape, particularly given dependencies on adversarial nations like Russia and China.

Dispute Settlement Mechanisms

Following Lithuania's decision to open a Taiwan representative office in Vilnius and the subsequent downgrading of diplomatic ties by China in November 2022, trade relations between the two nations experienced a significant downturn. Concerned about potential escalation, the European Union (EU) urged the World Trade Organization (WTO) to establish adjudicating panels to mediate the trade dispute by early 2023. However, doubts regarding

the efficacy of the WTO in handling such disputes have emerged (Blenkinsop, 2022). Busch (2023) highlights the challenge, noting that the involvement of numerous third parties in WTO rulings tends to diminish compliance by the defendant, raising concerns for Lithuania as the upcoming WTO consultations are expected to involve 17 third parties (para. 9). Such multilateral involvement often results in more severe penalties for the losing party, thereby decreasing the likelihood of compliance due to the harshness of the ruling.

This skepticism towards the WTO's effectiveness is not novel. In 2018, the Trump Administration openly questioned the WTO's credibility, particularly in addressing China's trade practices, which were perceived as detrimental to American interests. Opting to bypass the WTO, the Trump Administration imposed tariffs on Chinese steel and aluminum, citing national security concerns under Article XXI of the WTO Agreement (McBride & Siripurapu, 2022). Moreover, successive U.S. administrations, including those of Trump and Biden, have impeded the appointment of new judges to the WTO's Appellate Body. This obstructionism has left the Appellate Body effectively paralyzed, with no new appointments and existing judges departing at the end of their terms. Trade Representative Katherine Tsai voiced the United States' frustration, citing the Appellate Body's perceived overreach and issuance of legally binding precedents (McBride & Siripurapu, 2022). In response to this judicial stalemate, the European Commission (EC) introduced the Multi-party Interim Appeal Arbitration Arrangement (MPIA) as a temporary arbitration mechanism until reforms are enacted within the WTO system.

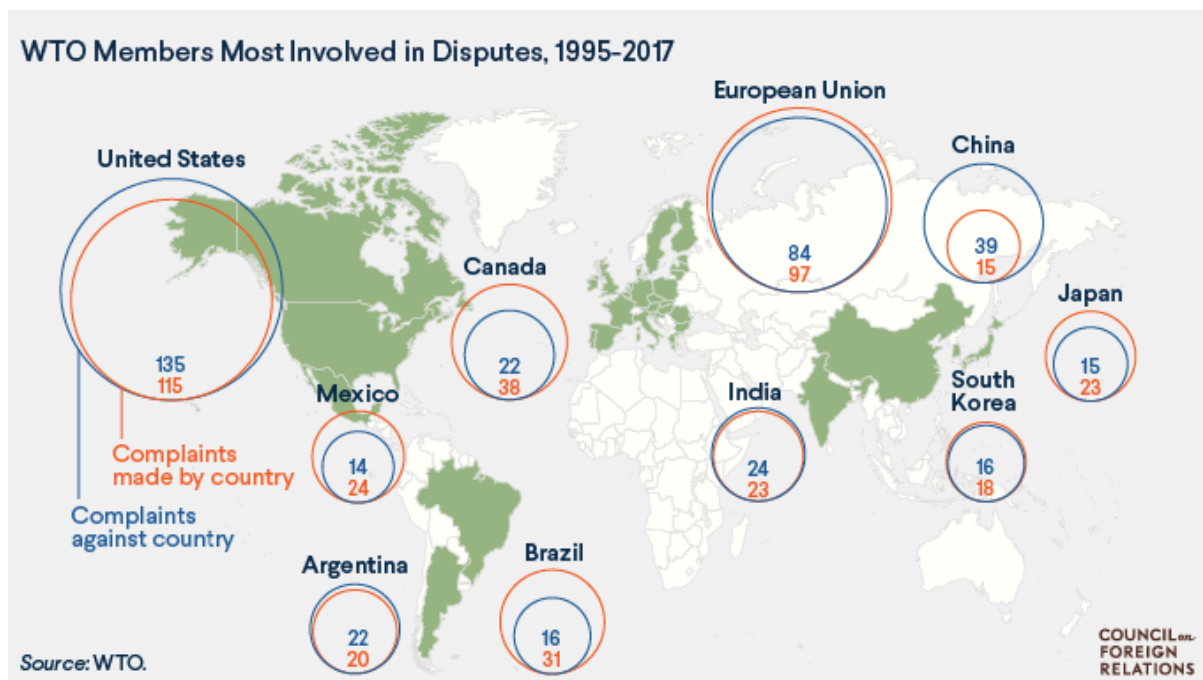


Figure 2. Frequency of Member States involved in WTO disputes (Source: McBride & Siripurapu, 2022)

With the China-Lithuania crisis ongoing, as well as Russia lodging a complaint to the WTO in March 2023 regarding alleged violations of international trade rules through economic

isolation from the West, the WTO's dispute settlement mechanism is urgently needed more than ever (Baschuk, 2023).

Special and Differential Treatment

Special and Differential Treatment (SDT), a cornerstone of the World Trade Organization's (WTO) framework, was crafted in the 1960s to address the economic disparities among its Member States, particularly those classified as developing countries. This principle grants developing nations more flexible arrangements regarding market access and trade liberalization commitments, aiming to facilitate their meaningful participation in global trade without being overly constrained by existing WTO regulations and obligations. An exemplification of this approach is evident in the Agreement on Fisheries Subsidies, where developing countries are granted a two-year grace period from WTO dispute settlement procedures for breaches related to subsidies used within their domestic exclusive economic zones (EEZs).

However, the criteria for determining SDT eligibility have been subject to scrutiny by developed Member States, which are hesitant to extend special privileges to certain nations categorized under SDT. In 2017, US Trade Representative Lighthizer vocalized concerns, questioning the rationale behind wealthy countries retaining developing status (Lighthizer, 2017). Critically, the WTO lacks precise definitions distinguishing developed and developing countries, allowing Member States to self-designate their economic status (Weinhardt & Schöfer, 2021). Notably, China, as the world's second-largest economy, has resisted US pressure to relinquish its developing country status, asserting its right to SDT benefits (Lee, 2019). While around two-thirds of WTO Member States self-identify as developing, only 46 officially qualify as least developed countries (LDCs), and proposals to establish new sub-groups have not materialized (Weinhardt & Schöfer, 2021).

Concerns about the misuse of SDT by countries no longer fitting its criteria have sparked debates, potentially straining inter-Member State relations and questioning the efficacy of the WTO in managing global trade dynamics. In response to a US-led initiative to reform SDT, 52 self-proclaimed developing nations, including China and India, issued a joint statement rejecting the proposal and asserting SDT as an inherent right for all developing nations (Weinhardt & Schöfer, 2021). This resistance underscores future challenges in navigating discussions on SDT, confronting developed countries with dilemmas regarding the future of SDT benefits and addressing principled opposition to regulating eligibility criteria for SDT beneficiaries.

Bloc Positions

Established Trading Powers

In a 2013 publication, the WTO itself acknowledged that during the GATT period, a select group of developed countries wielded significant influence, although this landscape has since evolved (Vangrasstek, 2013). This transformation was characterized by the perceived 'decline'

in growth rates among these established trade powers compared to emerging counterparts (Vangrasstek, 2013). However, this shift became instrumental in negotiating the developmental statuses of countries initially granted special trade treatments, shaping a new paradigm of equitable and mutually beneficial trade agreements (Low et al., 2018).

Despite being depicted as outliers to the WTO's standard, the persistent narrative of their 'declining' markets exacerbates the challenge faced by these established trading powers, as they are obliged to accommodate emerging or developing economies that may struggle to reciprocate the benefits offered to them (Low et al., 2018).

Given their status as established and developed economies committed to sustaining economic growth, these nations should collectively advocate for adjustments to WTO standards that align with the evolving trade landscape, ensuring relevance to contemporary global dynamics.

Emerging Trade Powers and Developing Economies

The concept of emerging powers arises from the hierarchical structure of global trade, where historically 'developed economies' or established trade powers selected countries from 'developing economies' to receive preferential treatment. However, as these emerging powers undergo rapid economic growth, they are often deemed ineligible for such preferential treatment, regardless of their social advancement (Weinhardt & Schöfer, 2021; Lora Anne Viola, 2020). This approach primarily focuses on material advancement, overlooking the broader social dimensions of these countries.

Despite possessing similar capacities to established trade powers, emerging powers often advocate for policies beneficial to struggling developing economies. However, this raises a debate about whether they should actively support these struggles, given their own economic prowess.

Nevertheless, many countries in the emerging powers category continue to face significant challenges and cannot be deemed ineligible for differential treatments. Some grapple with post-recession recovery and require substantial assistance due to their reliance on established trade powers (Kose & Ohnsorge, 2020). Additionally, certain economies remain structurally impoverished and are vulnerable to external shocks (Low et al., 2018). As such, their designation as developing economies should prompt a collective demand for assistance in recession recovery, the implementation of recession prevention measures, and the enforcement of WTO standards by member states.

Guiding Questions

1. How can trade be part of the solution for nations to come together across geopolitical tensions and address problems of the global commons?
2. How can the WTO reinforce its mandate in supporting international trade and cooperation in the wake of the increasing protectionism in the global economic sphere?

3. How can the WTO ensure the sustainability of cooperation and global trade in the lens of bridging the gap between Member States?
4. Noting issues on matters such as creating balanced negotiation and fair dispute settlements in trade relations, what steps can be taken to maintain the relevancy of the WTO and its systems?
5. With current world development and transition in levels of economic growth, how can the WTO adjust or justify their standards and regulations related to any special treatment in trade?

References

- Baschuk, B. (2023, March 8). *Russia Lashes Out at the WTO for 'Illegal' Trade Curbs*. Bloomberg. Retrieved March 13, 2023, from <https://www.bloomberg.com/news/newsletters/2023-03-08/supply-chain-latest-russia-blasts-the-west-for-illegal-trade-curbs>
- Blenkinsop, P. (2022, December 8). *EU steps up WTO case against China over patents, Lithuania*. Reuters. Retrieved February 19, 2023, from <https://www.reuters.com/world/eu-escalates-wto-challenges-china-over-patents-lithuania-2022-12-07/>
- Bove, T. (2022, May 28). *COVID and the Ukraine War may have kickstarted an age of food protectionism*. Yahoo! Finance. Retrieved February 12, 2023, from <https://finance.yahoo.com/news/covid-ukraine-war-may-kickstarted-090000398.html>
- Busch, M. L. (2023, February 16). *Why solidarity will hurt Lithuania at the World Trade Organization*. The Hill. Retrieved February 20, 2023, from <https://thehill.com/opinion/international/3859766-why-solidarity-will-hurt-lithuania-at-the-world-trade-organization/>
- CPTPP International Center. (n.d.). *CPTPP*. CPTPP Centre. <https://www.cptppcentre.org/>
- Edmond, C. (2023, April). *The United Kingdom is set to join the Trans-Pacific Free Trade Pact: Here's what you need to know*. World Economic Forum. <https://www.weforum.org/agenda/2023/04/cptpp-trade-tariff-brexit-uk/>

- Fieleke, N. S. (1995). The Uruguay Round of Trade Negotiations: An Overview. *New England Economic Review*.
- Ghantous, G. (2023, February 13). *WTO director general: Dispute settlement reform a 'priority'*. Reuters. Retrieved February 16, 2023, from <https://www.msn.com/en-us/news/world/wto-director-general-dispute-settlement-reform-a-priority/ar-AA17pCJj>
- Gilbert, M., Lang, N., Mavropoulos, G., & McAdoo, M. (2023, January 17). *Protectionism, pandemic, war, and the future of trade*. Boston Consulting Group. Retrieved February 20, 2023, from <https://www.bcg.com/publications/2023/protectionism-pandemic-war-and-future-of-trade>
- Henley, J., & Rankin, J. (2023, January 18). *Can EU anger at Biden's 'protectionist' green deal translate into effective action?* The Guardian. Retrieved February 25, 2023, from <https://www.theguardian.com/world/2023/jan/18/eu-anger-biden-green-370bn-deal-action-industrial-policy>
- ICAEW Insights. (2021, December 13). *WTO cautions against protectionism*. Institute of Chartered Accountants in England and Wales. Retrieved March 13, 2023, from <https://www.icaew.com/insights/viewpoints-on-the-news/2022/Jan-2022/WTO-cautions-against-protectionism>
- Lee, A. (2019, April 6). *China refuses to give up 'developing country' status at WTO despite US demands*. South China Morning Post. <https://www.scmp.com/economy/china-economy/article/3004873/china-refuses-give-developing-country-status-wto-despite-us>
- Lighthizer, R. (2017, December 11). *Opening plenary statement of USTR Robert Lighthizer at the WTO ministerial conference*. Office of the United States Trade Representative. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/december/opening-plenary-statement-ustr>

- McBride, J., & Siripurapu, A. (2022, June 10). *What's next for the WTO?* Council on Foreign Relations. Retrieved March 10, 2023, from <https://www.cfr.org/backgroundunder/whats-next-wto>
- RCEP Secretariat. (n.d.). *About – RCEP*. RCEP. <https://rcepsec.org/about/>
- Rowell, J. (2022, August 19). *What's behind the rise in trade protectionism?* Chartered Institute of Procurement & Supply. Retrieved February 19, 2023, from <https://www.cips.org/supply-management/analysis/2022/august/whats-behind-rising-trade-protectionism/>
- Schott, J. J. (2023, July 27). *Which countries are in the CPTPP and RCEP trade agreements and which want in?* Peterson Institute for International Economics. <https://www.piie.com/research/piie-charts/which-countries-are-cptpp-and-rcep-trade-agreements-and-which-want>
- Thompson, D. (2023, February 8). *Don't 'Buy American'*. The Atlantic. Retrieved March 10, 2023, from <https://www.theatlantic.com/newsletters/archive/2023/02/buy-american-joe-biden-free-trade-industrial-policy-supply-chain/672977/>
- The Tokyo Round: Results and Implications for Developing Countries. (1980). *World Bank Staff Working Paper*, 372.
- Valero, J., & Deutsch, J. (2022, September 10). *EU is assessing if US Inflation Act in breach of WTO rules*. Bloomberg. Retrieved March 11, 2023, from <https://www.bloomberg.com/news/articles/2022-09-10/eu-is-assessing-if-us-inflation-act-in-breach-of-wto-rules>
- Weinhardt, C., & Schöfer, T. (2021). Differential treatment for developing countries in the WTO: the unmaking of the North–South distinction in a multipolar world. *Third World Quarterly* 43(1), 74-93. <https://doi.org/10.1080/01436597.2021.1992271>
- WTO. (2024, March 1). *MC13 ends with decisions on dispute reform, development; commitment to continue ongoing talks*. WTO. https://www.wto.org/english/news_e/news_e.htm

WTO. (n.d.-a). *Doha Development Agenda*. WTO.
https://www.wto.org/english/thewto_e/whatis_e/tif_e/doha1_e.htm

WTO. (n.d.-b). *Overview of the WTO Secretariat*. WTO.
https://www.wto.org/english/thewto_e/secre_e/intro_e.htm

WTO. (n.d.-c). *Pre-WTO Legal texts*. WTO.
https://www.wto.org/english/docs_e/legal_e/prewto_legal_e.htm

WTO. (n.d.-d). *The Doha Round*. WTO.
https://www.wto.org/english/tratop_e/dda_e/dda_e.htm

WTO. (n.d.-e). *Understanding the WTO - The GATT Years: From Havana to Marrakesh*. WTO.
https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm

WTO. (n.d.-f). *Understanding the WTO - The Uruguay Round*. WTO.
https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm

WTO. (n.d.-g). *Understanding the WTO: Organization Chart*. WTO.
https://www.wto.org/english/thewto_e/whatis_e/tif_e/org2_e.htm

WTO. (n.d.-h). *What is the WTO? What We Do*. WTO.
https://www.wto.org/english/thewto_e/whatis_e/what_we_do_e.htm

WTO. (n.d.-i). *What is the WTO? Who We Are*. WTO.
https://www.wto.org/english/thewto_e/whatis_e/who_we_are_e.htm