

From GATT to the WTO

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IR 330

Why are trade relations so important?

- Broader public views their welfare as being more affected by trade policy than by monetary, investment, or financial policy
 - groups attempt to influence government policy
- Globalization has had a major impact on trade relations
- International Trade is 1 of the 2 most important economic relationships between countries



What is the “old” and “new” trade agenda, exactly?

Old:

Agriculture and market access

New:

Services, investment, and intellectual property rights

Post- WWII

- US became willing/ capable to fulfill its role as global hegemon



President Truman signs the European Recovery Act

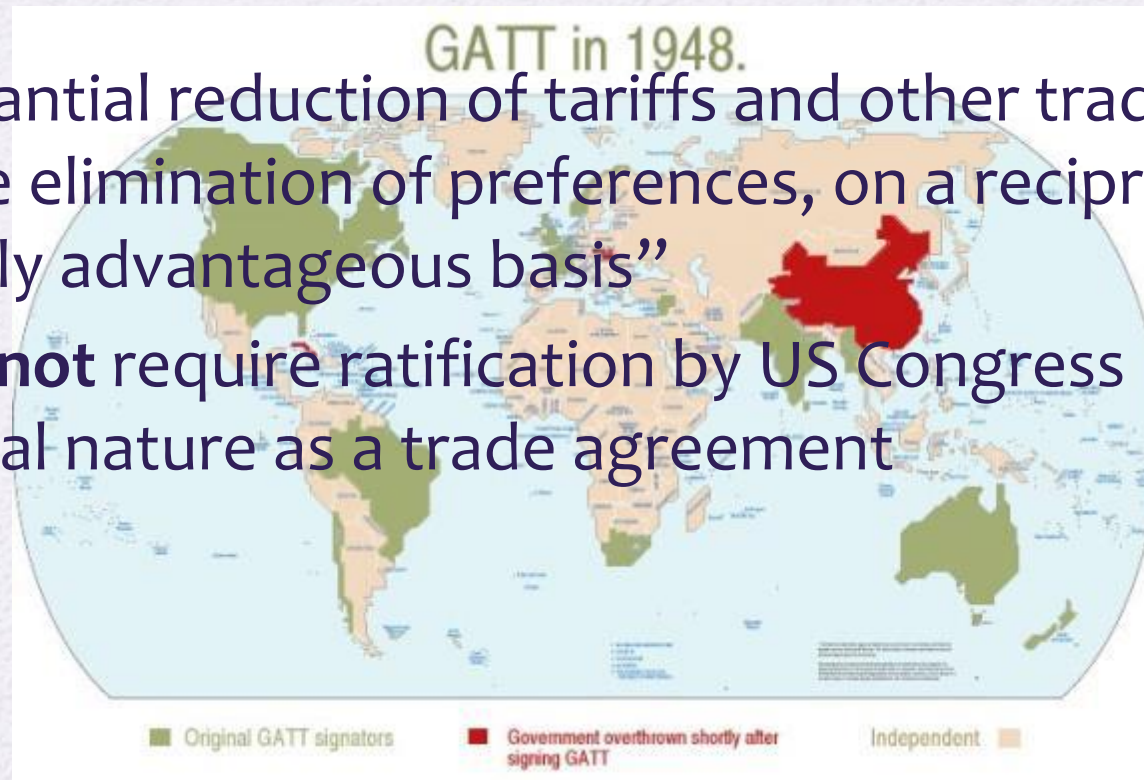
1947: Creation of GATT

- Informal, global trade organization that was formed as an effort to stimulate European economies via trade

Purpose:

- “Substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis”

GATT did **not** require ratification by US Congress because of its informal nature as a trade agreement



9 Rounds of GATT & WTO Negotiations

Name	Years	Subjects Covered	Countries Participating
Geneva	1947	Tariffs	23
Annecy	1949	Tariffs	13
Torquay	1951	Tariffs	38
Geneva	1956	Tariffs	26
Dillon	1960-1961	Tariffs	26
Kennedy	1964-1967	Tariffs and antidumping measures	62
Tokyo	1973-1979	Tariffs, nontariff measures, plurilateral agreements	102
Uruguay	1986-1993	Tariffs, nontariff measures, rules, services, intellectual property, dispute settlement, trade-related investment textiles, agriculture, creation of WTO	123
Doha	1999-present	Agriculture, services, tariffs, nontariff measures, intellectual property, dispute settlement	149

Principles of GATT

1. **Trade Liberalization:** eliminating protectionist measures mainly by lowering tariffs
2. **Nondiscrimination:**
 - External:** Most-favored-nation treatment
 - Internal:** National Treatment
3. **Reciprocity:** A state benefitting from another state's trade concessions should provide roughly equal benefits in return
 - Specific**
 - Diffuse**
4. **Safeguards:** permit members to temporarily raise a duty above the maximum tariff binding to limit imports that may harm domestic products
 - Safeguards Agreement**
 - Antidumping Duties**
 - Countervailing Duties**
5. **Development:**
 - “Development principle”**



Old Trade Agenda & GATT

- First 6 rounds of negotiations dealt with opening the market for trade and reduced tariffs for manufactured goods (under GATT)
 - Agriculture remained a protected industry under GATT
 - Producers in damaged countries would not be able to recover without protection
 - US producers still had a strong influence in government
- In response, countries used NTBs to decrease the use of formal tariffs

Old Trade Agenda and the Tokyo Round

- Tokyo Round (1973-1979) addressed NTBs used by member countries
- Problems with the Tokyo Round
 - NTBs continued to exist
 - Textiles/ agriculture were still protected
 - GATT dispute settlement procedures were inadequate
 - LDCs were not involved in GATT decision-making

Because of its issues, GATT began to decline in power, and the global community looked to a new, more formal agreement to replace it

Moving Towards the New Trade Agenda

- **Uruguay Round (1986-1993)**
 - Addressed service trade, intellectual property, trade-related investment measures (new trade agenda)
 - Applied global trade rules to agriculture and textiles (old)
 - Established the **WTO** to replace GATT as the main global trade organization in 1995

US wanted to address its merchandise trade deficits by extending treaties to services trade and intellectual property

DCs wanted to regulate services trade because it was growing at a high rate

DCs would benefit the most from new treaties because they were the major exporters of items on the new agenda

WTO

Formal, legally constituted organization meant to govern international trade relations

- Polices/encourages the multilateral reduction of barriers to trade/oversees resolution of trade disputes
- Oversees the GATT and other treaties negotiated in the Uruguay round
- Improved regulation
 - Trade Policy Review Body conducts regular reviews of members' trade policies to increase transparency and promote trust between members
 - Dispute Settlement Board forms panels to investigate complaints and oversee trade disputes

The Doha Round (1999)

- Essential because:
 1. “The bicycle must keep moving”
 2. GATT members agreed to continue to negotiate on services/ agriculture
 3. US/EU conflicts indicated the need to improve WTO dispute settlement procedures
 4. Negotiations were needed to ensure that the growing number of regional trade agreements were compatible with the WTO
 5. The South and North both had a “wish list” for changes in the global trade regime

New Trade Agenda: Doha Round

DCs would give up their agricultural protectionism to give more opportunities to LDC farmers, who would reciprocate by lowering import barriers on DC services and manufactured goods

Southern demands:

- G20 demanded an end to US/EU agricultural export subsidies and lower agricultural import barriers in other DCs
- Technical and building assistance from the North

Northern demands:

- Reduced barriers to LDC non-agricultural imports
- Stronger agreements for services trade/ intellectual property rights

Suspended in 2008- round was much more unbalanced than expected

In conclusion...

- The new trade agenda favors DCs over LDCs, because they have more capital in services, investment, and intellectual property rights.
- The old trade agenda, which focused on agriculture and market access, still gave more power to DCs because they had more negotiating power in various GATT rounds