



# WORLD TRADE ORGANIZATION

## Vienna International Model United Nations

<b>Committee</b>	World Trade Organization
<b>Topic</b>	New 'Trade Wars', Regional Economic Alliances and Sustainable Development
<b>Goals</b>	What Role for the WTO ?
<b>Chairs</b>	Lechner Kevin (Austria) Wegener William (Switzerland)
<b>Place of the Conference</b>	Austria, Vienna – United Nations Headquarter
<b>Date of the Conference</b>	29 <sup>th</sup> of July – 2 <sup>nd</sup> of August 2018

*« A good decision is based on knowledge and not on numbers »*

— Plato

## **1. Introduction**

The World Trade Organization (WTO) is an international agency which promotes trade between member nations, administers global trade agreements and resolves disputes when they arise. The WTO - headquartered in Geneva, Switzerland - deals with the rules of trade between nations and has currently 164 member nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations. The WTO agreements are legal texts covering goods, services and intellectual property that spell out, for example, the principles of liberalization, and the permitted exceptions, or set procedures for settling disputes. These agreements are not static; they are renegotiated from time to time and new agreements can be added. While the WTO aims to liberalize trade and remove trade barriers, in some circumstances its rules support maintaining trade barriers – for example to protect consumers or prevent the spread of disease. (see: WTO Law and Legal Definition). The agreements which were negotiated and signed by the majority of the world's trading nations and ratified in their parliaments symbolize the heart of this organization. The main target is helping producers of goods and services, exporters and importers to conduct their business.<sup>1</sup>

The General Agreement of Tariffs and Trade (GATT) is seen as the basis of the World Trade Organization. The 1947 GATT emerged from wartime and post-war negotiations to establish a stable, multilateral economic order. GATT itself was a provisional accord which sought to codify the rules of the emerging trade regime and proceed to avoid protectionism or important barriers to trade. The US delegation was determined to press other countries to reduce their discriminatory trade practices - especially the British “imperial preference” - and in exchange

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<sup>1</sup> *What is the WTO ?*, [https://www.wto.org/english/thewto\\_e/whatis\\_e/whatis\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm), last seen on 07/07/2018

the United States was willing to reduce its traditionally high tariffs.<sup>2</sup> The Council for Trade in Goods (Goods Council) is responsible for the agreements which were made at the workings of the GATT. The Goods Council is represented by members of all World Trade Organization nations and the current ambassador is Mr. Stephen De BOER from Canada. The Council includes ten committees which are dealing with different subjects: agriculture, market access, and so on.<sup>3</sup> The rules that underline the multilateral economic system have been acquired as a direct answer to the Second World War and the desire that it will never be repeated.<sup>4</sup>

The Chairs recommend the article, written by Hunter Nottage "Trade in War's Darkest Hour – Churchill and Roosevelt's daring 1941 Atlantic Meeting" (link for this article point 5 "Additional Readings")

During the negotiations for the General Agreement of Tariffs and Trade the main negotiators Mr. Will Clayton (United States of America) and Sir Richard Stafford Cripps (United Kingdom) were confronted with many difficult issues. The United States wanted the multilateral system to be based on the "most favoured nation (MFN)" principle. This demanded clause included that any privilege that is granted to any country would have to be granted immediately and unconditionally to all the other GATT parties as well. The United States were not in favour with some of the British concessions and Sir Stafford Cripps told Mr.

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<sup>2</sup> Howarth, David, and Geoffrey R. D. Underhill. "World Trade Organization." In *The Concise Oxford Dictionary of Politics*. : Oxford University Press, 2009. <http://www.oxfordreference.com/view/10.1093/acref/9780199207800.001.0001/acref-9780199207800-e-1486>

<sup>3</sup> *GATT and the Goods Council*, [https://www.wto.org/english/tratop\\_e/gatt\\_e/gatt\\_e.htm](https://www.wto.org/english/tratop_e/gatt_e/gatt_e.htm), last seen on 07/07/2018

<sup>4</sup> History of the multilateral trading system, [https://www.wto.org/english/thewto\\_e/history\\_e/history\\_e.htm](https://www.wto.org/english/thewto_e/history_e/history_e.htm), last seen on 07/07/2018

Clayton that he should withdraw some of the tabled tariff offers. This was a sensitive phase for the relationship between the two countries.<sup>5</sup>

The Chairs recommend the article, written by Roy Santana "Clash of the GATT negotiators" (link for this article point 5 "Additional Readings")

The 1st January 1995 was a very important day for the World Trade Organization. On this day the largest reform of the international trade, since the end of the Second World War, was made. Whilst the GATT was dealing with trade in goods, the World Trade Organization and the agreements that have been negotiated covered trade in services and intellectual property as well. With the birth of the World Trade Organization new procedures for the settlement of disputes were created too. In 1998 the 50th anniversary of the multilateral trading system was celebrated.<sup>6</sup>

## **2. Definition**

### **2.1. Political**

According to *The Concise Oxford Dictionary of Politics*, is a *Trade War* « a situation in which two or more nations restrict one another's exports. Trade wars are ancient and modern. Until Adam Smith and the contemporary physiocrats, no thinkers believed in free trade. All economists believed that the best policy was to maximize one's own exports; many added that it was good to restrict others' imports. If pursued worldwide, such policies were obviously self-defeating, but that does not lessen their attraction to individual national policy makers. The

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<sup>5</sup> *Clash of the GATT negotiators*, [https://www.wto.org/english/tratop\\_e/gatt\\_e/clash\\_gatt\\_negotiators\\_e.htm](https://www.wto.org/english/tratop_e/gatt_e/clash_gatt_negotiators_e.htm), last seen on 09/07/2018

<sup>6</sup> History of the multilateral trading system, [https://www.wto.org/english/thewto\\_e/history\\_e/history\\_e.htm](https://www.wto.org/english/thewto_e/history_e/history_e.htm), last seen on 07/07/2018

Napoleonic Wars were largely a trade war between France and her allies and the UK, which caused serious damage to third parties, such as the USA.<sup>7</sup>

The nineteenth century saw the heyday of the bilateral trade treaty and the invention of the most favoured nation clause. Between them, these devices restricted the scope for trade wars. However, the revival of protection in the 1920s and 1930s revived trade wars. Since the 1960s, world trade politics has become multilateral rather than bilateral (GATT, World Trade Organization). This has not eliminated trade wars, but has made them multilateral also. If the EU declares war on US hormone-fortified beef and export subsidies, then the USA may declare war on EU luxury goods and Caribbean bananas. »<sup>8</sup>

### **3. XXI context**

#### **3.1. United States of America – China**

Between the United States of America and China the main problem is named with the issue of spiritual property. In 2001 the United States spirit exports to China were quantified with US\$959.000 and in 2017 this number raised up to US\$12.8 million. The government of the United States announced 25% tariffs on US\$34 billion on Chinese products. With this step the danger has raised that exporters of the United States stand to lose, as they will also miss out on the massive tariff reductions that have been made by the Chinese government. (see: American industries, consumers to suffer from US-China tariff battle & US trade measures will backfire) The response of China, declared by the Chinese Ministry of Commerce, includes a slew of United States agricultural products and industries. The relationship between the two nations became worse during the

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<sup>7</sup> McLean, Iain, and Alistair McMillan. "trade war." In *The Concise Oxford Dictionary of Politics*. : Oxford University Press, 2009. <http://www.oxfordreference.com/view/10.1093/acref/9780199207800.001.0001/acref-9780199207800-e-1398>

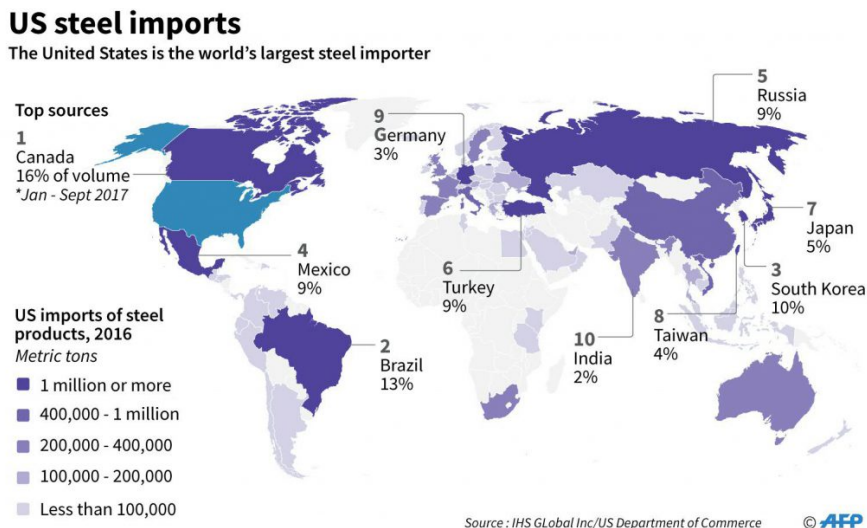
<sup>8</sup> *ibid.*

last months and it seems that nobody will step back. "Mr. President, these tariffs have real consequences on states like Iowa, rural communities across the nation and on America's farms. We encourage you to act expeditiously to save our rural economies", a group of House representatives declared in a letter issued on 25th of June.<sup>9</sup> The latest escalation of its trade offensive against China included US\$200 billion worth of Chinese imports.

The Chairs recommend the article, written by Associated Press "Fast facts on key developments in the US-China trade war" {Washington Post} (link for this article point 5 "Additional Readings")

### 3.2. United States of America – European Union

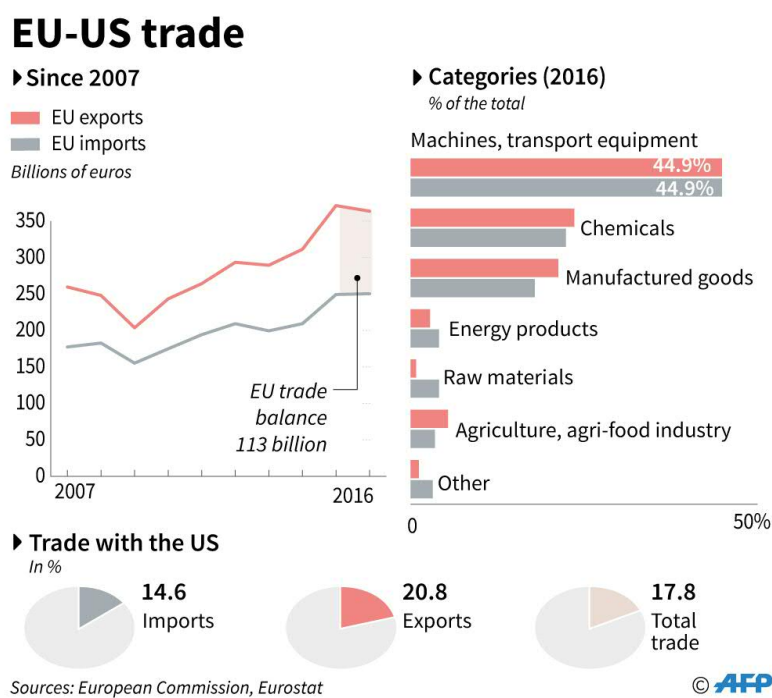
The trade relationship between the United States of America and the European Union are tense. The United States and its President Donald Trump were discussing the possibility of putting tariffs on goods from European states – with steel and aluminum leading the way.



Map showing top sources of US steel imports

<sup>9</sup> US businesses, farmers decry tariff bullies in Washington, <https://www.shine.cn/biz/economy/1807078227/>, last seen on 13/07/2018

After difficult negotiations the European Union had to react as well and thought about tariffs for American products like Bourbon Whiskey or bikes (Harley Davidson). In Brussels different sources said that the prospect of a revived EU-US trade deal is in "deep freeze". The efforts of European leaders were enormous and the German chancellor, Angela Merkel, told President Trump that it would be simpler than he thought to get to a new US\_EU agreement. This statement backfired in the way that it seemed it is more important to United States to get to an agreement with the European Union, concerning the tariff-free exchange of goods and services, than a deal with Theresa May for the time after the Brexit. Negotiations over Transatlantic Trade and Investment Partnership (TTIP) flattened, because some skeptical comments from the trade minister of France and the vice-chancellor of Germany came up.<sup>10</sup>



Trade between the US and Europe

After inefficient discussions and negotiations the President of the United States made his threats come true and put tariffs on steel (25%) and aluminum (10%)

<sup>10</sup> *Hopes of EU-US trade agreement put on ice*, <https://www.theguardian.com/business/2017/jun/05/hopes-of-eu-us-trade-agreement-put-on-ice-say-brussels-sources>, last seen on 09/07/2018

from Europe. The justification for these tariffs was that the industry of the United States should be better protected. The European Union, especially their President Jean-Claude Juncker, reacted and presented the prospect of targeting imports from the United States – Harley Davidson motorbikes, Levi's jeans and Kentucky bourbon whiskey. The consequence was that President Trump threatened the European Union by saying that the next step would be tariffs on cars imported from countries, especially Germany, of the European Union.<sup>11</sup>

The European trade commissioner Cecilia Malmstrom warned the United States and there will be the consequences if the United States put tariffs on European steel and aluminum: "There has to be consequences if you do not respect international, global rules". The European Union said that they are not going to "shoot from the hip", but they will be prepared for a possible trade war with the United States of America. The European Union, together with Australia, Argentina, Brazil, Canada, Mexico and South Korea got a temporary reprieve that came to an end on 1st of May.<sup>12 13</sup>

The chairs recommend the articles, written by Jennifer A. Hillman "Trump tariffs threaten national security" and Peter Navarro "The era of American complacency on trade is over" {both New York Times} (link for those articles point 5 "Additional Reading")

### **3.3. United States of America – Canada/Mexico**

If we name the relationship between the United States of America, Canada and Mexico we need to mention also the North American Free Trade Agreement

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<sup>11</sup> *Trump escalates trade war rhetoric*, <https://www.theguardian.com/us-news/2018/mar/03/trump-escalates-trade-war-threat-tax-eu-cars>, last seen on 09/07/2018

<sup>12</sup> *EU says it is ready to wage trade war with US*, <https://www.theguardian.com/business/2018/apr/30/eu-us-trade-war-donald-trump-tariffs>, last seen on 09/07/2018

<sup>13</sup> *EU trade chief says US was warned of tariff consequences*, <https://www.nytimes.com/aponline/2018/06/26/world/europe/ap-eu-europe-us-tariffs.html>, last seen on 09/07/2018



(NAFTA) that was established in 1994. The reason for this agreement was to create the world's biggest free trade zone for a strong economic growth and rising prosperity. NAFTA has shown how the free trade can increase wealth and competitiveness as well as delivering real benefits for different people, like farmers, workers, manufactures, etc. <sup>14</sup>

Since the new administration of the United States bear responsibility the relationship between the USA, Canada and Mexico suffered a setback when we talk about the Free Trade Agreement. President Trump would like to renegotiate the agreement separately with Canada and Mexico. "Trump does not intend to withdraw from NAFTA, but after more than one year of multilateral discussions, he feels the current approach hasn't been fruitful and a new one is needed", Larry Kudlow - National Economic Council Director - said on "Fox & Friends". Since Trump became President the three countries worked to renegotiate the NAFTA, they agreed on in the 1990s, but President Trump is looking forward to bilateral agreements. President Trump uses different methods to force some pressure on other countries. Tariffs on steel and aluminum imports are on his list as well as other goods. The difficulties with Canada, Mexico, China, Japan and also states of the European Union concerning trade-related matters are also leading to fear among the business leaders, because the talks are moving slowly or stalling. <sup>15</sup>

The Chairs recommend the articles, written by Ken Thomas "Trump delaying NAFTA deal until after midterm elections" {Washington Post}, The Associated Press "Canada presses US to resume NAFTA renegotiation talks" and Reuters "Mexican election will jumpstart NAFTA talks, adviser says" {both New York Times} (link for those articles point 5 "Additional Readings")]

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<sup>14</sup> *NAFTA*, <http://www.naftanow.org/>, last seen on 09/07/2018

<sup>15</sup> Trump aims to split up NAFTA negotiations, [https://www.washingtonpost.com/news/business/wp/2018/06/05/trump-aims-to-split-up-nafta-negotiations-deal-with-canada-and-mexico-separately/?utm\\_term=.56777ca620a3](https://www.washingtonpost.com/news/business/wp/2018/06/05/trump-aims-to-split-up-nafta-negotiations-deal-with-canada-and-mexico-separately/?utm_term=.56777ca620a3), last seen on 09/07/2018

#### 4. Questions Resolution Must Answer (QRMA's)

- i. Are the WTO agreements - made in the old days - still contemporary ? If not, how could the system be reformed ?
- ii. How could trade agreements be made in the future and which rules should not be ignored ?
- iii. Should trade agreements be made bilateral or multilateral ?

#### 5. Additional Readings

In this part of the Study Guide we provided some information you can use for your further research. We collected links, for a better & wider overview, concerning the points we described before.

- *World Trade Report 2017*, [https://www.wto.org/english/res\\_e/publications\\_e/wtr17\\_e.htm](https://www.wto.org/english/res_e/publications_e/wtr17_e.htm), last seen on 13/07/2018
- *Trade in War's Darkest Hour*, [https://www.wto.org/english/thewto\\_e/history\\_e/tradewardarkhour41\\_e.htm](https://www.wto.org/english/thewto_e/history_e/tradewardarkhour41_e.htm), last seen on 07/07/2018
- *Clash of the GATT negotiators*, [https://www.wto.org/english/tratop\\_e/gatt\\_e/clash\\_gatt\\_negotiators\\_e.htm](https://www.wto.org/english/tratop_e/gatt_e/clash_gatt_negotiators_e.htm), last seen on 09/07/2018
- *GATT 1947 : How Stalin and the Marshall Plan helped to conclude the negotiations*, [https://www.wto.org/english/tratop\\_e/gatt\\_e/stalin\\_marshall\\_conclude\\_negotiations\\_e.htm](https://www.wto.org/english/tratop_e/gatt_e/stalin_marshall_conclude_negotiations_e.htm), last seen on 09/07/2018
- *Fast facts on key developments in the US-China trade war*, [https://www.washingtonpost.com/business/fast-facts-on-key-developments-in-the-us-china-trade-war/2018/07/10/23bd0004-8484-11e8-9e06-4db52ac42e05\\_story.html?utm\\_term=.ed4ce93dfe31](https://www.washingtonpost.com/business/fast-facts-on-key-developments-in-the-us-china-trade-war/2018/07/10/23bd0004-8484-11e8-9e06-4db52ac42e05_story.html?utm_term=.ed4ce93dfe31), last seen on 13/07/2018
- *Trump Tariffs Threaten National Security*, <https://www.nytimes.com/2018/06/01/opinion/trump-national-security-tariffs.html>, last seen on 09/07/2018
- *The Era of American Complacency on Trade Is Over*, <https://www.nytimes.com/2018/06/08/opinion/trump-trade-g7-russia-putin-navarro.html>, last seen on 09/07/2018
- *Trump delaying NAFTA deal until after midterm elections*, [https://www.washingtonpost.com/business/trump-delaying-nafta-deal-until-after-midterm-elections/2018/07/01/b9482d22-7d47-11e8-a63f-7b5d2aba7ac5\\_story.html?utm\\_term=.fb7b7c4ffa5a](https://www.washingtonpost.com/business/trump-delaying-nafta-deal-until-after-midterm-elections/2018/07/01/b9482d22-7d47-11e8-a63f-7b5d2aba7ac5_story.html?utm_term=.fb7b7c4ffa5a), last seen on 09/07/2018

- <https://www.nytimes.com/aponline/2018/07/03/world/americas/ap-cn-nafta-talks.html>, last seen on 09/07/2018
- *Mexican Election Will Jumpstart NAFTA Talks, Adviser Says*, <https://www.nytimes.com/reuters/2018/07/03/business/02reuters-mexico-election-seade.html>, last seen on 09/07/2018
- *The Costs of Trade War*, <http://prosyn.org/aOW5vwX>, last seen on 14/07/2018
- *Is Europe Ready for a Trade War ?*, <http://prosyn.org/MGDICB3>, last seen on 27/06/2018
- *The Shape of Sino-American Conflict*, <http://prosyn.org/XuGi83m>, last seen on 27/06/2018
- *Trade Wars in a Winner-Take-All World*, <http://prosyn.org/zsbyspz>, last seen on 29/06/2018
- *The Trade Leadership Deficit*, <http://prosyn.org/CVCfXSV>, last seen on 01/07/2018

Good Luck !



When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

02:50 - 2 mars 2018

Capture of US President's (Donald Trump) Tweet about Trades War saying they are : « *good, and easy to win* ».