



Agree to Disagree: The Future of International Trade Agreements

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The World Trade Organization

- What does it do?
- Why do we have it?
- Why is it controversial?
- What is its future after Doha?



What Does the WTO Do?

- Provides set of rules for trade policy
- Forum for dispute settlement
- Forum for trade negotiations



What Does the WTO Do?

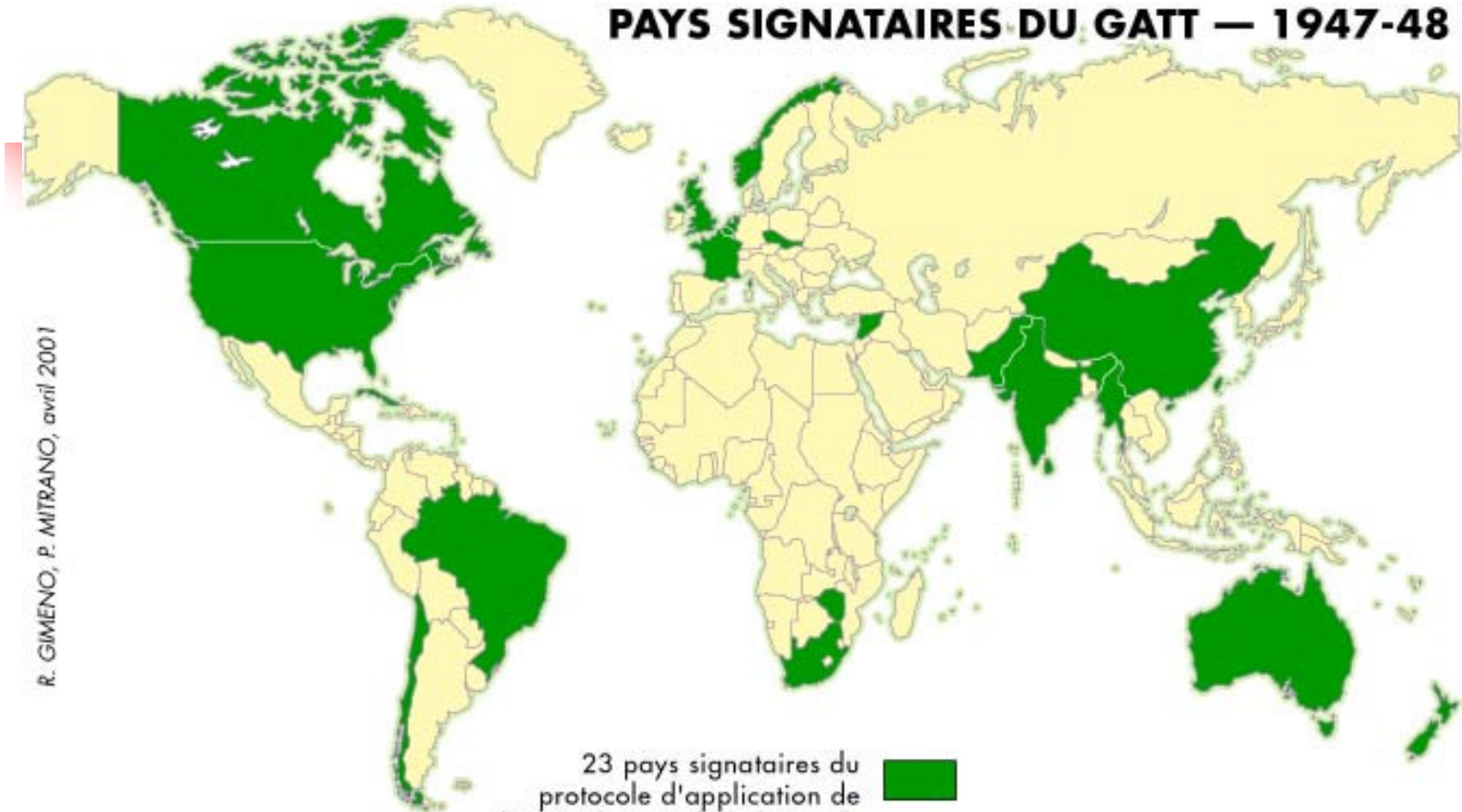
- But it does not:
 - Force changes in trade policies
 - Enforce trade agreements



Why do we have the WTO?

- Avoid repetition of 1930s
 - Higher trade barriers
 - Discrimination & quotas
- General Agreement on Tariffs & Trade (1947)

PAYS SIGNATAIRES DU GATT — 1947-48



R. GIMENO, P. MITRANO, avril 2001

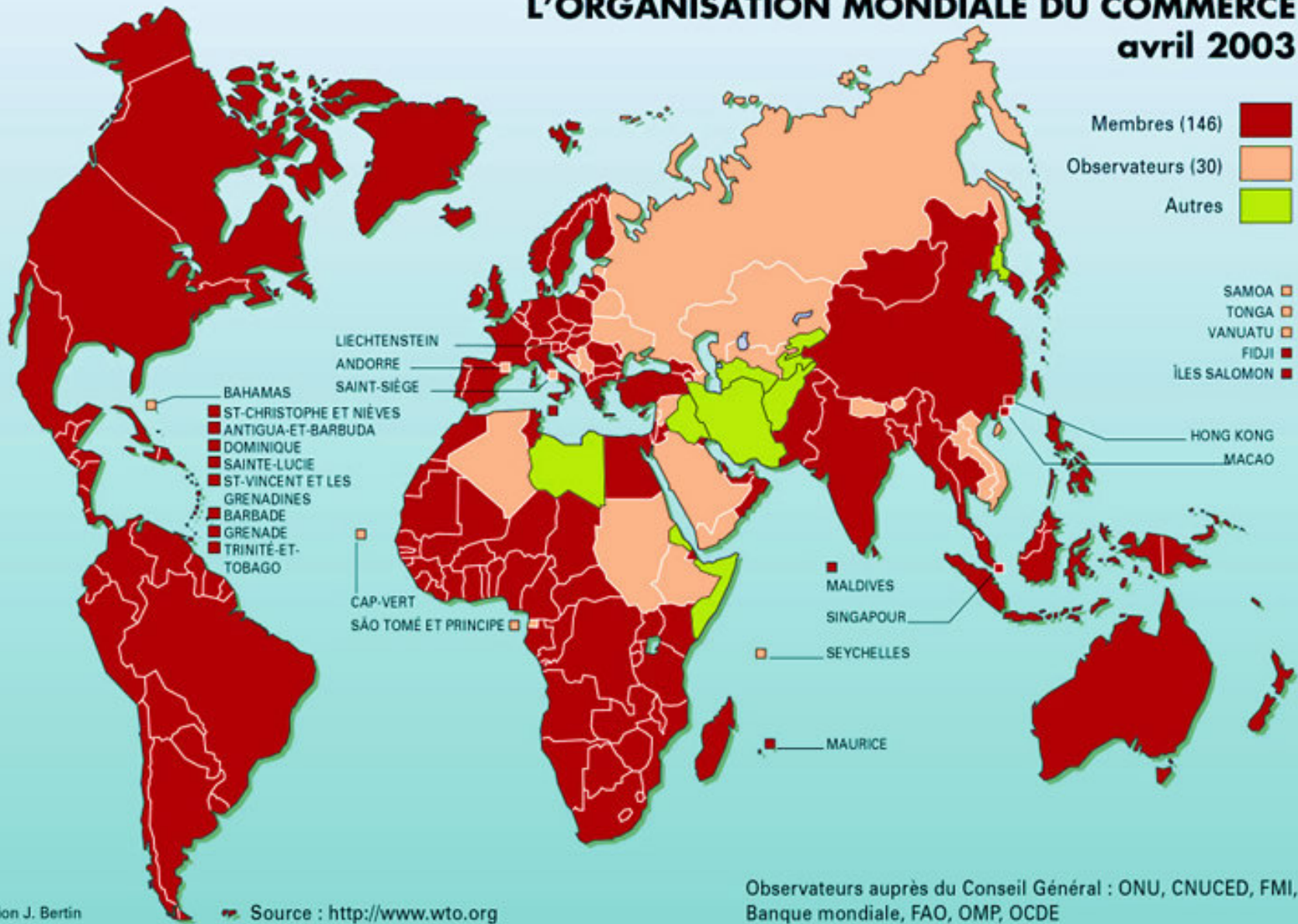


23 pays signataires du
protocole d'application de
l'Accord général sur les tarifs
douaniers et le commerce ou **GATT**
(General Agreement on Tariffs and Trade)



Source : www.itd.org/eol/e/wto01/wto1_6.htm#note3

L'ORGANISATION MONDIALE DU COMMERCE avril 2003



Observateurs auprès du Conseil Général : ONU, CNUCED, FMI, Banque mondiale, FAO, OMP, OCDE



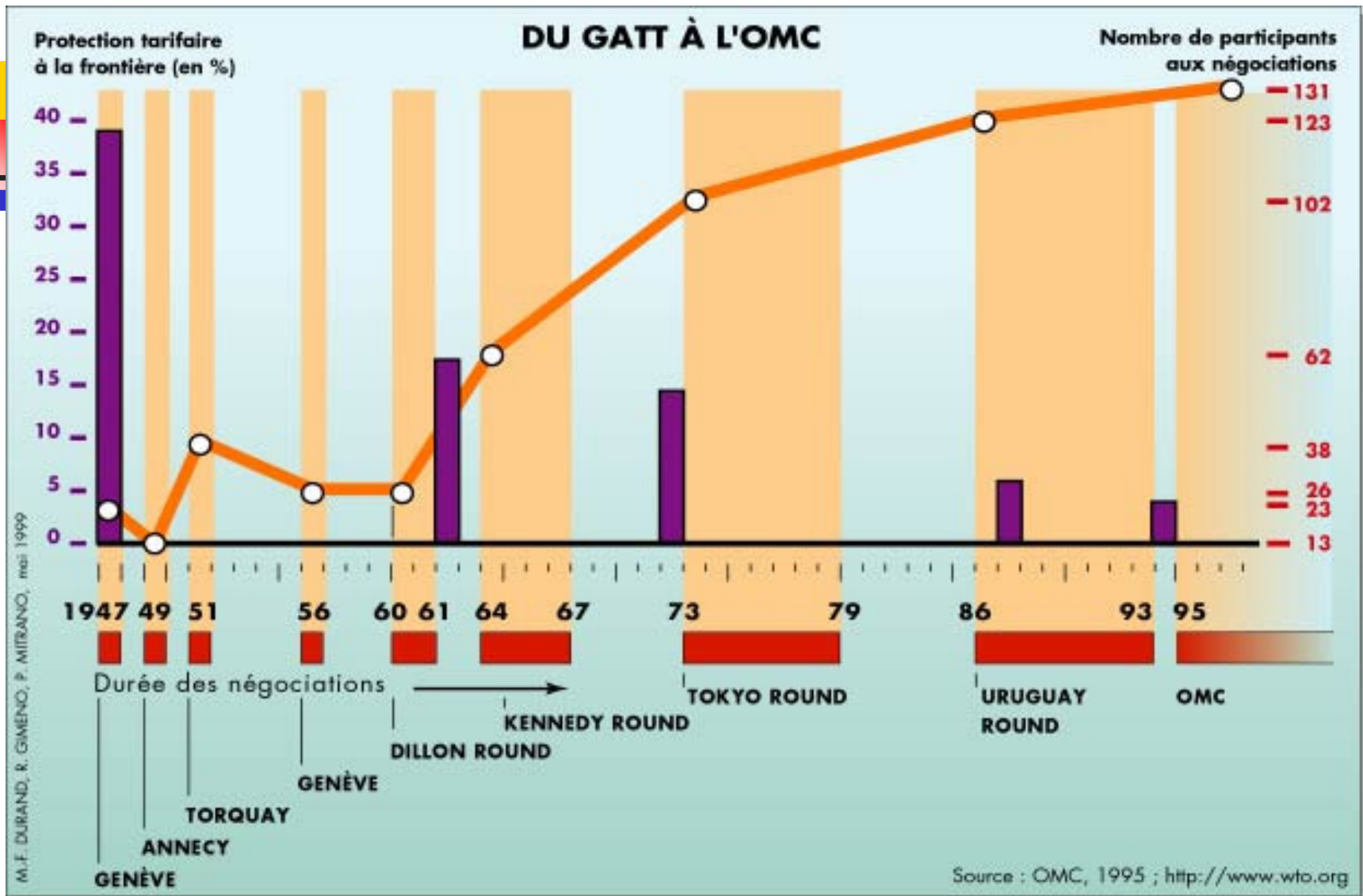
GATT (1947-present)

- Established trade rules
- Negotiations to reduce trade barriers



GATT Principles

- Nondiscrimination
 - Article I – MFN
 - National Treatment
- Tariffs only
- Consensus decision-making
- Negotiations
- Small secretariat with limited mandate





GATT a success?

- Marked reduction in trade barriers
- Tremendous expansion in world trade
- No trade wars



Gaps in GATT?

- Developing countries outside system
- Only manufactured goods
- No enforcement of rules



Uruguay Round (1986-1993)

- Trade Liberalization
 - Agriculture & Textiles (MFA)
 - No voluntary restraints



Uruguay Round (1986-1993)

- New Issues
 - Agriculture
 - Services
 - Investment
 - Intellectual Property



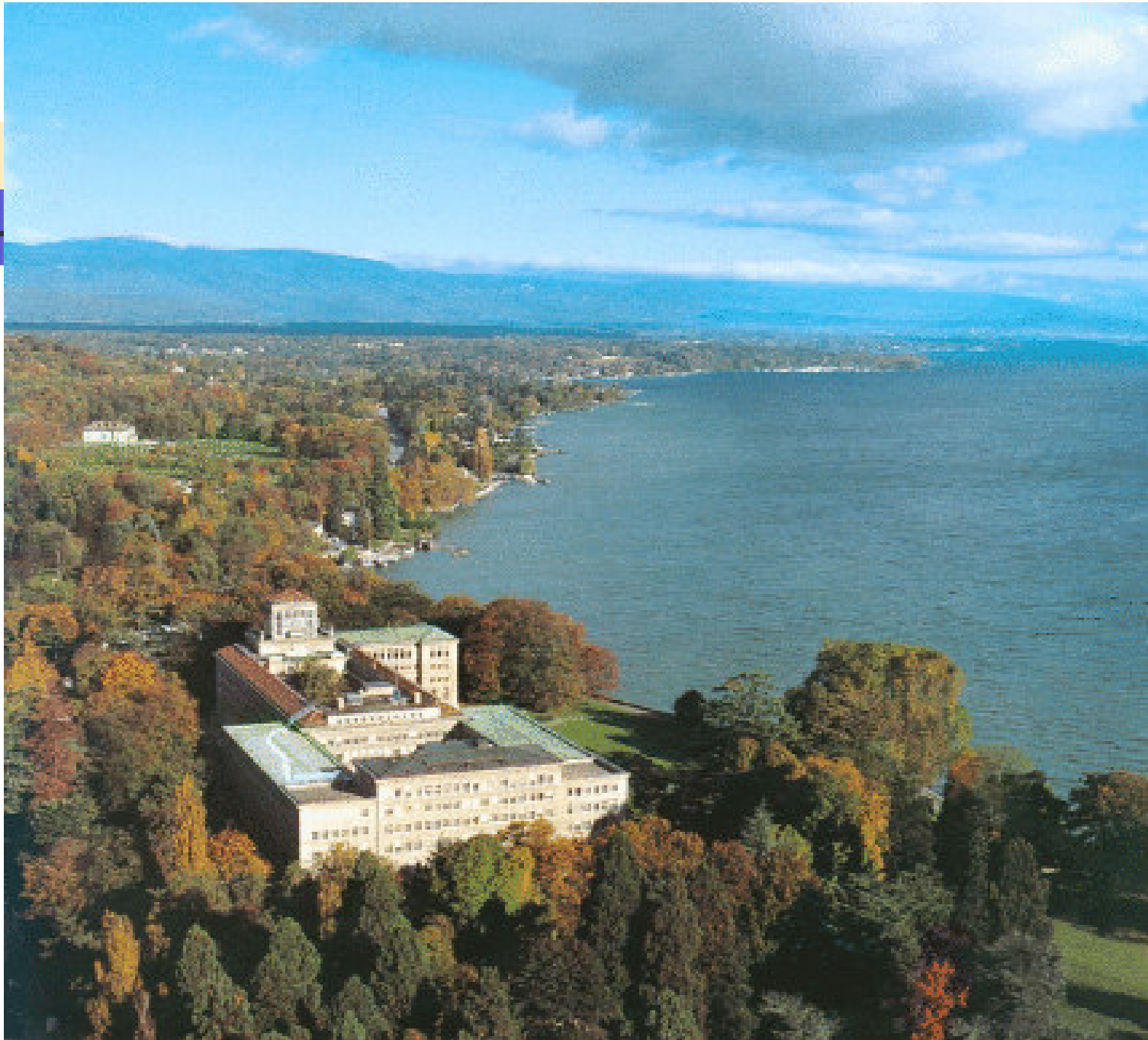
Uruguay Round (1986-1993)

- Institutional Issues
 - World Trade Organization
 - Dispute settlement
 - Trade policy review mechanism

World Trade Organization

- GATT
- GATS
- TRIPs
- TRIMs







Controversies about the WTO

- Dispute settlement
- Trade rules
- Doha round



Dispute Settlement

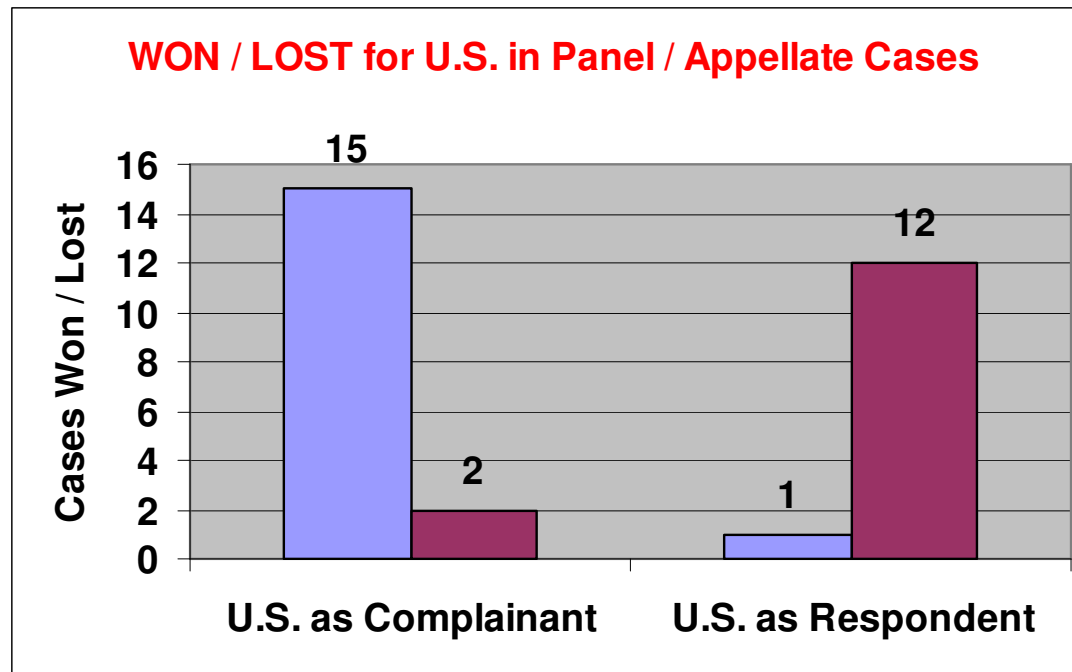
- Panel hears disputes
- Rules on conformity of practice
- Can appeal to Appellate Body
- Implementation/Compliance
 - Up to member states, not WTO



Compliance

1. Modify WTO-inconsistent policy
2. Compensation
 - Grant plaintiff another concession
3. Nothing
 - Plaintiff can “suspend” (i.e., withdraw) concession (i.e., retaliation)

US Litigation in WTO, 1995-2000





High Stakes Cases

- Bananas (US-EC) - \$200m
- Beef Hormones (US-EC) - \$120m
- Foreign Sales Corp. (EU-US) - \$4b
- Steel (EU-US) - \$350m
- More to come? GMO? Airbus?



Concerns about DSM

- Overly legalistic approach to high profile, politically sensitive cases
- Little diplomatic maneuvering room
- Result: high likelihood of closing markets



Retaliation

- Undesirable Outcome
 - Harms complainant country
 - Doesn't help complainant exporter
 - Harms innocent firms in defendant country



Judicial Activism – another problem?

- Rules evolve slowly, disputes resolved quickly
 - Judicial legislation?
 - AB overruling panels
 - Panels & AB “making up” rules?
- Lack of transparency and accountability



Proposals for Reform

1. Go back to GATT-type system
 - More diplomacy, less legalism
 - Economic & political considerations equal to legal ones
 - Diffuse threat to integrity of multilateral trading system
 - Limited negative consensus rule



Trade rules

- Generic complaints
 - Tool of multinationals?
 - Harms developing countries?

Anti-WTO Protesters





Doha Dead?

- Agriculture – key issue
- Are developing countries serious?
- Structural problems at WTO



Conclusions

- WTO a useful institution but faces difficult challenges ahead