

A black and white photograph of a large, multi-story stone building, likely a part of Princeton University. The building features a prominent clock tower with a large clock face. The architecture is Gothic-style, with arched windows and doorways. In the foreground, there are stone steps leading up to the building, and a person is visible walking on the steps. The image is overlaid with a semi-transparent orange banner that contains the text.

# Princeton Model United Nations Conference 2016

## World Trade Organization

Chair: Ryan Dukeman

## Contents

---

Contents.....	2
Letter from the Chair.....	3
Introduction.....	4
Topic A: Reforming the Dispute Settlement Mechanism.....	7
Introduction.....	7
History of the Topic.....	8
Current Status.....	10
Country Policy.....	12
Keywords.....	16
Questions for Consideration.....	17
Topic B: The Doha Round.....	18
Introduction.....	18
History of the Topic.....	19
Current Status.....	22
Country Policy.....	24
Keywords.....	<b>Error! Bookmark not defined.</b>
Questions for Consideration.....	27

## Letter from the Chair

---

Dear Delegates,

Welcome to the World Trade Organization (WTO) specialized committee of PMUNC 2016! My name is Ryan Dukeman, and I'm excited to serve as your chair for the weekend. The WTO will be focusing on two major topics – the Doha Round, and Dispute Settlement reform – and I'm excited to see the innovative policy proposals you devise on these tough, real-world challenges for international trade.

By way of background, I'm a senior from Westwood, MA majoring in the Woodrow Wilson School of Public & International Affairs. I'm also pursuing minors in American Studies, as well as French Language & Culture. In the Wilson School, my primary academic interests are in institutional design, international trade, and multi-lateral organizations. I also have a background in legislation and politics, having worked in the House of Representatives and in the Office of Legislative Affairs at the State Department. If, throughout the weekend, you have any questions about college, Princeton, working in government, or anything else feel free to reach out to me.

The World Trade Organization is an international organization comprised of 162 member countries, whose mission is to facilitate the global multi-lateral free-trade system. Founded in 1995, the WTO is the successor organization to the General Agreements on Tariffs and Trade (GATT), which dates back to 1947. Member countries agree to abide by certain agreed-upon multilateral trade rules, covering tariffs, regulations, and other “barriers to trade” in accordance with global norms of free trade, non-discrimination (which in the context of trade is a technical term meaning taxing and regulating goods the same regardless of whether they are imported or home-made), and regulatory synchronicity. While a variety of regional trade agreements have come into play in recent years *beyond* the baseline standards of the WTO – e.g. NAFTA, the TPP, and TTIP – the WTO remains the only *global* set of agreements on free trade, and these agreements go further than the baseline standards of the WTO (i.e. they are complementary, not competing, agreements).

International trade is a highly technical topic, but I do not intend for this conference to run that way. Therefore, if you feel overwhelmed or confused while doing background research for this committee, please consult the background guide or email me at [rdukeman@princeton.edu](mailto:rdukeman@princeton.edu) and I will be happy to translate technical terms or concepts into plain English or clarify any questions you might have.

Best wishes for a successful, productive, and enjoyable conference.

Ryan Dukeman

## Introduction

---

Established in 1995 at the conclusion of the Uruguay Round of multilateral trade negotiations, the WTO is the only global organization dealing with the propagation, facilitation, and regulation of international trade.<sup>1</sup> The WTO is the successor organization to the General Agreements on Tariffs and Trade (GATT). GATT was established by 23 North American and European nations in 1947 as a key economic centerpiece of the post-WWII liberal international order.<sup>2</sup> WTO now counts 162 member countries whose economies amount to over 96% of global GDP, spanning every region of the globe.<sup>3</sup>

The rules of the WTO form global, multilateral baselines for international trade, which countries can enhance for specific trading partners on a bilateral or regional basis with other supplemental trade agreements (e.g. as the US, Canada, and Mexico do for each other through NAFTA, the North American Free Trade Agreement). Its rules reduce tariffs on a wide variety of goods and services, enshrines principles of national non-discrimination (i.e. treating imports and home-made goods equally in regulation), predictability of pre-published tariff schedules, progressive liberalization, and enforceable international agreements. WTO rules also cover so-called “Non-Tariff Barriers to Trade” (NTB) – regulations that do not on face increase tariff barriers, but which have the effect of unfairly targeting imports. (Exceptions are allowed, however, for national security, public morality, and other reasons).

---

<sup>1</sup> “Accession in Perspective,” *World Trade Organization*, accessed 10 Jun 2016, [https://www.wto.org/english/thewto\\_e/acc\\_e/cbt\\_course\\_e/c1s1p1\\_e.htm](https://www.wto.org/english/thewto_e/acc_e/cbt_course_e/c1s1p1_e.htm).

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

The WTO is somewhat unique among international organizations in its enforcement powers, which are rather robust though often criticized.<sup>4</sup> When a country feels a trading partner is violating an agreement, it first submits a Request for Consultations to the WTO's Dispute Settlement Mechanism.<sup>5</sup> During this period, the defendant country and the complainant enter into negotiations, and if they reach a mutually-favorable solution (e.g. if the defendant country changes the regulation or law that is causing the violation, or agrees to compensate the complainant country in another way or through a side-agreement) then the case is over.

If they do not within 60 days, the case goes to litigation, where it is adjudicated before an international Dispute Settlement Body (DSB), The DSB reviews the violation alleged and assesses the economic damage suffered by the complainant as a result.<sup>6</sup> After this process, the defendant has over a year to comply or appeal the decision, referred to as the implementation period. In total, the process takes an average of nearly 20 months to resolve, however the longest case lasted over 12 years.<sup>7</sup> Ultimately, if a violation is found and the defendant does not implement a solution to correct it, the panel will authorize the complainant to retaliate against the defendant; actions may include raising tariffs on its goods in aggregate equal to the damage caused by the violation.<sup>8</sup>

---

<sup>4</sup> Mike Moore, *A World Without Walls: Freedom, Development, Free Trade and Global Governance*, (Cambridge: Cambridge University Press), 2003, 101.

<sup>5</sup> "A unique contribution," *World Trade Organization*, accessed 10 Jun 2016, [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/disp1\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm).

<sup>6</sup> Ibid.

<sup>7</sup> "WTO dispute settlement-long delays hit the system," *Lexology*, last updated 23 Jun 2014, accessed 11 Jun 2016, <http://www.lexology.com/library/detail.aspx?g=13fe0fa8-2e4c-45ca-b619-c4609ae96797>.

<sup>8</sup> "A unique contribution."



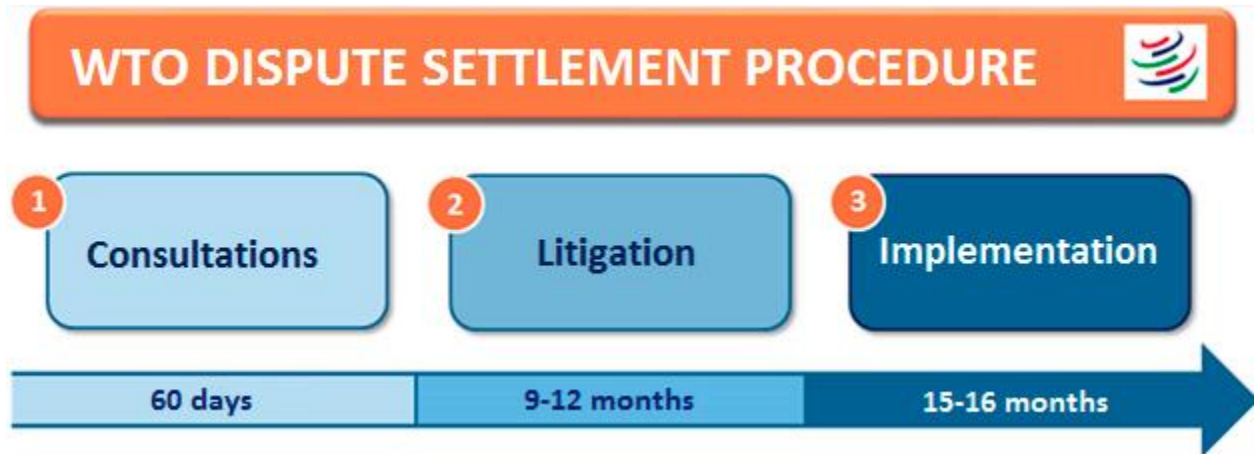


Figure 1: WTO Settlement Procedure<sup>9</sup>

In recent years, the dispute settlement process has been criticized as inefficient (and too expensive for poor defendant countries, as it often costs millions of dollars to litigate a case), as it takes years to legitimate retaliation all in the name of predictable trade rules.<sup>10</sup> Part of your task will be to reform this system, so that it works better for all participants and yields better-enforced rules for international trade.

To fully address the issues you will face as national delegates to the WTO, it is critical that you develop a solid background in its history, structure, and recent events. Developing the next step of the 21<sup>st</sup> century trade agenda and reforming the dispute settlement procedures are no easy tasks. Your research and deep understanding will prove essential to your success at PMUNC.

<sup>9</sup> "WTO: Dispute Settlement," *Fundas*, last modified Jun 2015, accessed 12 Jun 2016, <http://www.fantasticfundas.com/2015/06/india-loses-poultry-case-against-us-at.html>.

<sup>10</sup> "WTO dispute settlement-long delays hit the system."

## Topic A: Reforming the Dispute Settlement Mechanism

---

### Introduction

The WTO Dispute Settlement procedure currently involves countries ‘suing’ each other when they believe a trade violation has occurred, which is followed by a prolonged period of consultations and negotiations. Eventually, if the dispute is still unresolved, a litigation phase begins which is similar to a court case, and can be appealed. This process was designed to create an incentive for countries to enforce trade rules mutually, rather than to create a WTO internal enforcement mechanism like a police force (since countries are generally reluctant to do so in any international body, for fear of a loss of sovereignty).

The Dispute Settlement procedure has been criticized almost from the moment of its inception with the creation of the WTO in 1995. One key concern is the substantial amount of time required to successfully litigate a case, which averages roughly 19 months for cases with no appeal and 42 months when appealed.<sup>11</sup> Others include the cost of litigation (which can average in the millions of dollars for each country) being prohibitively high so as to disadvantage smaller and less developed countries, as well as the structure of a dispute award, which takes the form of allowing the complainant country to undertake retaliatory trade rules against the violator country of equal financial value, often years after the violation took place.<sup>12</sup>

For this topic, representatives will discuss and debate possible reforms to the WTO Dispute Settlement mechanism to make it more effective, and to take into consideration structural factors contributing to countries’ inability to fully meet and enforce their trade commitments.

---

<sup>11</sup> Henrik Horn, Louise Johannesson, and Petros C. Mavroidis. "The WTO dispute settlement system 1995-2010: Some descriptive statistics." (2011), 33.

<sup>12</sup> Andrew T Guzman, "Global Governance and the WTO," *Harv. Int'l LJ* 45 (2004).

## History of the Topic

As noted before, current dispute settlement mechanism came into being in 1995 with the creation of the WTO itself, after the conclusion of the Uruguay Round of Multilateral Trade talks a year earlier. However, its origins can be traced back far earlier, to the original GATT (General Agreements on Tariffs and Trade, the WTO's predecessor) agreement in 1947.

Under Article XXIII of GATT 1947, the “contracting parties” (i.e. the complainant and defendant countries) were jointly responsible for resolving any perceived trade violations.<sup>13</sup> In practice, this usually meant that trade disputes between member states were resolved privately through side negotiations. As an aside, nearly 60% of trade disputes between WTO members are still resolved this way today, i.e. without litigation, though they must register these “consultations” with the Dispute Settlement body for archival purposes.<sup>14</sup> Formally, however, if the parties could not agree on a resolution, the matter was referred to “working parties composed of representatives from all interested contracting parties, including the parties to the dispute,” which operated on a consensus basis in investigating alleged trade violations, adjudicating guilt, and recommending responses.<sup>15</sup>

By the 1950s, however, countries had already begun to feel that the system was bound to fail, in that it relied heavily on consensus decisions between the parties to the dispute.<sup>16</sup> As the GATT's membership expanded beyond NATO countries and thus became larger, more diverse, and more complicated, reliance on this consensus-based system became

---

<sup>13</sup> “Historic development of the WTO dispute settlement system,” *World Trade Organization*, accessed 14 Jun 2016, [https://www.wto.org/english/tratop\\_e/dispu\\_e/disp\\_settlement\\_cbt\\_e/c2s1p1\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/disp_settlement_cbt_e/c2s1p1_e.htm).

<sup>14</sup> Christina L. Davis, *Why Adjudicate?: Enforcing trade rules in the WTO*, (Princeton: Princeton University Press), 2012.

<sup>15</sup> “Historic development of the WTO dispute settlement system.”

<sup>16</sup> “The Uruguay Round,” *World Trade Organization*, accessed 15 Jun 2016, [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact5\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm).



less and less assured.<sup>17</sup> As such, the working parties were replaced by panels consisting of 3-5 independent experts from countries not party to the dispute, in order to provide a greater sense of formality, impartiality, and legitimacy. Over the decades, these panels gradually developed a more formalized “body of jurisprudence which remains important today,” playing a key role in the development of the now widely-accepted premise of a rules-based international order.<sup>18</sup>

One key flaw in the GATT system that was not reformed until the creation of the WTO in 1995 was its overreliance on “positive consensus,” the idea that all parties in a dispute/panel had to agree on any decision taken, including even the decision to refer the disputed matter to arbitration in the first place.<sup>19</sup> In practice, this meant that respondents could, and often did, “block the establishment of a panel.”<sup>20</sup> Retrospectively, the modern WTO conceded that “if domestic judicial systems were to operate on the basis of such a [strong] consensus rule, they would probably fail in most instances.”<sup>21</sup> Surprisingly, despite its flaws, this system largely functioned well through the 1980s, when respondents increasingly began blocking any arbitration launched against them.<sup>22</sup>

Faced with a structural loss of legitimacy in the system by the 1980s, the negotiators of the Uruguay Round (which lasted 8 years, from 1986-1994) made structural issues like dispute settlement reform a key negotiating priority, in tandem with their substantive goals for trade policy.<sup>23</sup>

---

<sup>17</sup> Ibid.

<sup>18</sup> “Historic development of the WTO dispute settlement system.”

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> “The WTO Dispute System,” *World Trade Organization*, accessed 16 Jun 2016, [https://www.wto.org/english/thewto\\_e/10anniv\\_e/future\\_wto\\_chap6\\_e.pdf](https://www.wto.org/english/thewto_e/10anniv_e/future_wto_chap6_e.pdf).

<sup>23</sup> “The Uruguay Round.”

## Current Status

The WTO's official history succinctly captures the main changes made to the dispute settlement system under the Uruguay Round:

“[The Uruguay Round negotiators] agreed upon substantial reforms, while retaining as much as possible the essentials of the GATT procedure. The DSU [Dispute Settlement Understanding] created strong deadlines and a fall-back procedure whereby the WTO Director-General can appoint the members of a [dispute settlement] panel if no agreement [on panelists] is reached in a reasonable time. It eliminated the possibility of blocking the setting up of a panel. And most significant, it created a ‘reverse consensus’ procedure for adopting panel report [i.e. its judgment]. That means that such adoption occurs automatically unless there is ‘consensus’ against. No longer could the losing parties block adoption of reports, along. It is [now] generally expected that virtually every WTO dispute settlement report will be adopted.”<sup>24</sup>

Under the present system, dispute resolution in the WTO has become a highly institutionalized process, mirroring in part the structure of other established international arbitration panels. Today they function more formally like courts. Since the modern system's creation in 1995, the number of disputes filed per year has been falling, from a high of 50 in 1997 to a low of 12 in 2005, rebounding slightly to 17 by 2010.<sup>25</sup> Given that the WTO is not a weaker regime, we should understand this fall in disputes to be a positive reflection on its effectiveness, rather than a loss of faith in the WTO.

The United States and the European Union are the most frequent participants in dispute resolution. The two “countries,” and for the purposes of trade, they are, collectively were the complainant (plaintiff) in 40% of WTO disputes through 2010, and were the respondent (defendant) in nearly 49% of disputes over the same period.<sup>26</sup> However, given that countries can join WTO disputes as “third parties,” these statistics do not capture the full picture. For instance, there are many WTO member states that have never launched a

---

<sup>24</sup> “The WTO dispute settlement system.”

<sup>25</sup> Horn, Johannesson, and Mavroidis, “The WTO Dispute Settlement System...,” 6.

<sup>26</sup> Ibid, 8.

complaint nor had one launched against them, but which frequently join disputes as third parties. The multilateral trading system's dispute resolution mechanism, therefore, is of critical importance to every country in the WTO. However, as its most frequent users, the US and the EU have the strongest interest in seeing (certain, but not all) aspects of it reformed.

The title of this topic should not be taken to suggest that the current WTO dispute settlement mechanism has been a total failure, or even a failure at all. In fact, some scholars have gone so far as to call it a "resounding success" with an "impeccable record."<sup>27</sup> In fact, by the standards of international arbitration, the WTO's dispute settlement mechanisms is one of the most formalized, legalistic, and well-enforced in the world – only roughly 15% of cases go to the appeal stage, and the compliance rate for WTO cases is far higher than that of other international tribunals.<sup>28</sup> In particular, the system has been praised for legitimating and applying the rules-based international order to economic disputes between nations in a way that is remarkably well respected by a variety of countries with vastly different legal and political systems, preventing the kinds of unilateral 'trade wars' that can lead to global economic downturn.

However, critics of the dispute settlement procedure have long pointed to suggestions for its reform, even given its relative successes compared to other international arbitration procedures. At heart, these issues usually include questions of access and fairness when small, poor countries are targeted by larger, richer, and more powerful ones, as OECD countries tend to have a comparative advantage in international lawyers.<sup>29</sup> Improving the

---

<sup>27</sup> Thomas J. Schoenbaum, "WTO dispute settlement: praise and suggestions for reform." *International and Comparative Law Quarterly* 47, no. 03 (1998): 647-658.

<sup>28</sup> *Ibid.*

<sup>29</sup> Roderick Abbott, "Are Developing Countries Deterred from Using the WTO Dispute Settlement System?," *Participation of Developing Countries in the DSM in the Years 1995–2005*, (2007).

independent capacity of the WTO Secretariat to review trade enforcement is necessary. Possible reforms include the ability to refer possible violations to the DS mechanism, to ensure that countries actually implement decisions made against them, and to prevent the use of ‘side agreements’ between countries (i.e. when they agree to drop DS accusations against another country in exchange for concessions on some other, often non-trade-related issue, which weakens the actual enforcement of trade rules). Other issues with trade settlement include structural factors that contribute to countries’ inability to fully implement their trade agreements, such as federalism, poverty, poor governance, or a lack of regulatory capacity. These structural factors, sometimes correlated with less development, further hinder nations’ ability to fairly participate in the WTO.

### **Country Policy**

Membership in the WTO is among the largest of any international organization in the world today, at over 162 countries and the European Union.<sup>30</sup> As such, it would be impossible to write detailed country positions for all 70 states represented in these negotiations – that task is ultimately up to each of you. In order to guide your research, however, below are general overviews of the trading policies and stances on dispute settlement reform of various ‘blocs’ of countries within the WTO.

#### *The European Union*

Broadly, the European Union is highly supportive of internationalism, institutionalization of disputes between countries in all aspects of international relations, and protecting and expanding the rules-based international order. In a resounding endorsement of the current WTO dispute settlement procedure, the EU succinctly put it that “the system

---

<sup>30</sup> “A unique contribution.”

of dispute settlement at the WTO has worked very well,” and it even includes referring trade disputes to the WTO for bilateral commitments it makes in other trade deals that go beyond the requirements of WTO trading rules.<sup>31</sup> However, part of the EU’s new “Trade for All” negotiating strategy includes a push for far greater transparency in all aspects of trade policy, including dispute resolution.<sup>32</sup> Included in this move is to open the opaque world of global trade up more to average people, and pushing for dispute settlement internal documents to become public. This push has generated controversy among its trading partners, who often prefer a greater degree of secrecy in the proceedings.

As the world’s largest economy, the EU exercises enormous clout in international trade negotiations. However, it often runs into snags when negotiating new bilateral trade deals given its extremely high standards for transparency, consumer protection, environmental protection, labor rights, and privacy. When negotiating over the future of the dispute settlement resolution process, these concerns for social welfare and the betterment of European citizens’ lives will have to be front and center in each EU member states’ positions.

#### *Other OECD Countries*

Other rich countries outside the EU, such as the US and Canada, Australia and New Zealand, and Japan and South Korea, similarly exercise a great deal of influence over the multilateral trading system as a whole. However, their positions on dispute settlement reform are far from uniform, and research specific to your country will be absolutely critical in ensuring the flow of discussion and an accurate representation of its interests and concerns.

---

<sup>31</sup> “Dispute settlement,” *European Commission*, accessed 18 Jun 2016, <http://ec.europa.eu/trade/policy/accessing-markets/dispute-settlement/>.

<sup>32</sup> “Trade for All - New EU Trade and Investment Strategy,” *European Commission*, accessed 18 Jun 2016, <http://ec.europa.eu/trade/policy/in-focus/new-trade-strategy/>.

The US in particular has developed an extensive policy position on WTO Dispute Settlement reform. The US has released 7 “White Papers” on aspects of dispute settlement reform, which can be found [here](#).<sup>33</sup> In brief, the US seeks: greater reliance on public international law in resolving disputes; greater transparency; greater flexibility and member control; and clarification of the proper interpretative approach guidelines to which WTO panelists should refer when going about interpreting the text of a legally binding agreement.<sup>34</sup> All of these issues will be central in the committee’s discussion of dispute settlement reform, so it is important that as a leader on these issues the US be well-versed in the nuances of its proposals and their advantages/shortcomings.

#### *Developing Countries*

Rising powers like China, India, and Brazil have become increasingly active players in the dispute settlement system, with China in particular being involved in some capacity in over 50% of disputes initiated since it joined the WTO.<sup>35</sup> As their importance to the global trading system has grown, so too has their propensity to litigate.

China in particular has pursued an aggressive trade strategy, though not a litigious one. While it has been a party to every single WTO dispute since 2010, China had only sued another country a handful of times through that same period, suggesting an aversion to litigation even given an aggressive pursuit of its trade policy goals.<sup>36</sup> The rise of illiberal global powers like China also has called into question the post-War rules based international order as a whole, which holds key implications for trade litigation and dispute settlement.

---

<sup>33</sup> “U.S. Proposals in WTO Dispute Settlement Understanding Negotiations,” *Office of the US Trade Representative*, accessed 19 Jun 2016, <https://ustr.gov/issue-areas/enforcement/us-proposals-wto-dispute-settlement-understanding-negotiations>.

<sup>34</sup> *Ibid.*

<sup>35</sup> Jessica C. Liao, “China’s Reluctant Usage Of The WTO Dispute Settlement System,” *USC*, published 25 October 2011, accessed 19 Jun 2016, <http://china.usc.edu/china%E2%80%99s-reluctant-usage-wto-dispute-settlement-system>.

<sup>36</sup>



While China seeks economic liberalization and development, including through participation in organizations like the WTO, it also strongly seeks to protect its sovereignty from perceived or actual domination by global, Western, or international influences. As such, China has openly refused to acknowledge the legitimacy of certain international tribunals like the Permanent Court of Arbitration (PCA) and the International Tribunal on the Law of the Sea (ITLOS).<sup>37</sup> It is therefore highly likely that China would aggressively resist pushes to make the dispute settlement body more unilaterally powerful. Reform suggestions that seek consensus, then, will have to avoid the appearance of “creeping” global influence over national sovereignty.

#### *Least Developed Countries*

The world’s poorest countries are often the ones least likely to be satisfied with all aspects of the multilateral trading system, including its dispute settlement process. Though the leadership of these countries recognizes that over 900 million people have been lifted out of extreme poverty in just the last 25 years under the multilateral trading system, they often feel as well that the system perpetuates inequality between countries, by trapping already-poor countries into low-value-added places on the value chain for the production of goods. This means that these countries’ economies become dependent on the exporting of a few key raw materials (e.g. oil, diamonds, rubber, sugar, etc.) for almost all their growth, while advanced economies benefit from the volatility-reducing effects of a diversified economy strong in many sectors.

This general trade policy has key implications for dispute settlement reform as well. Specifically, many LDCs seek for the WTO to establish an internal enforcement division, akin to a police force, that would independently investigate instances of trade violations.

---

<sup>37</sup> Ben Wescott, “Philippines vs China: Why the South China Sea ruling may change Asia,” *CNN*, published 12 Jun 2016, accessed 19 Jun 2016, <http://www.cnn.com/2016/07/04/asia/south-china-sea-un-case-explainer/>.

They seek this because it would substantially reduce the legal costs borne by complainant countries, who have to litigate issues themselves, shifting that burden onto the WTO general budget which is borne by the entirety of the membership.

### **Keywords**

- **Dispute Settlement Mechanism:** the WTO's system for resolving trade disputes wherein a country or series of countries think another country is violating mutually-agreed upon trade rules. It takes the form of consultations, followed by arbitration and retaliation if necessary.
- **Appellate Body:** If a dispute goes to adjudication, either of the parties can appeal the result, similar to a domestic court case.
- **Consultations:** The initial phase of dispute settlement, consultations (i.e. supervised negotiations between the parties) often last about 9 months, and it is during this phase that about 60% of WTO disputes are resolved, a key success of the system.
- **Authorization for Retaliation:** the ultimate stage of trade dispute resolution, which has only ever been reached a handful of times in the WTO's 20 year existence. In cases of authorization, if the respondent country fails to bring its violating policies into compliance, the complainant country is granted permission from the WTO (and thus the international community) to retaliate against it, i.e. to raise its tariffs on goods from that country alone.
- **GATT:** the General Agreements on Tariffs and Trade, GATT was begun in 1947 and continued through the 1995 creation of its successor organization, the WTO. GATT was a key part of the post-WWII international liberal order, and while its membership initially only counted American and European nations, it quickly grew into a global trading agreement.

- Multilateral vs. bilateral trade agreements: the WTO serves as the 'least common denominator' trade rules for all of its 162 member states, however countries are allowed to enter into supplemental bilateral or regional trade agreements in addition to being part of the WTO. For example, the US, Canada, and Mexico are members of NAFTA in addition to their WTO memberships, which grants them even freer trade with one another than it does with the rest of the WTO. These agreements are thus complementary not competing.

### **Questions for Consideration**

- What aspects of reform should the committee prioritize – internal enforcement, transparency, cost-sharing, implementation, or others?
- How should the committee go about balancing the needs of developed and developing countries vis-à-vis dispute settlement reform?
- How can the committee retain the successful aspects of dispute settlement while making it more accessible, equitable, and effective in yielding well-regulated international trade?

## Topic B: The Doha Round

---

### Introduction

The Doha Development Round, also known as the Doha Development Agenda or simply the Doha Round, is a round of multilateral trade negotiations under the WTO that began in Doha, Qatar in November 2001. It is the 9<sup>th</sup> such round of multilateral trade talks, and the first since the conclusion of the Doha Round (1986-1994), which established the WTO. At heart, the aim of the Doha Round is to lower barriers to trade, both in terms of tariffs and, more importantly, in so-called “Non-Tariff Barriers to Trade” or “Technical Barriers to Trade” (NTB or TBT).

While negotiations were ongoing from 2001-2008, they then broke down over impasses concerning agricultural subsidies in developed countries, intellectual property concerns, TBTs for service industries, and other issues. In the intervening years, the failure of global negotiators to reach a new, comprehensive multilateral agreement has led to the proliferation of regional or sub-regional Free Trade Agreements such as the proposed Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (T-TIP, as well as the extent ASEAN Free Trade Agreement (AFTA), the Southern Common Market (MERCOSUR), and many more.

While the WTO fully supports regional trade integration and these agreements, the simultaneous stalling of global free trade negotiations and proliferation of regional ones have called into question the utility of continuing to have global trade talks, which would be a serious blow to the WTO’s relevance as a global organization. The WTO’s Director General, for instance, has “expressed concern over the rise of alternative regional trading pacts that he

fears could render the WTO obsolete if the Geneva-based body did not start clinching major worldwide agreements.”<sup>38</sup>

Your task for this topic will be to revive the Doha Round in some capacity. You can either choose to attempt to resolve the full agenda, or pick pieces of it that might be most likely to see consensus after negotiations. Many of the actual issues holding up the Doha Round are extremely specific and technical, and you will not be expected to have a complete understanding of every nuance or specific trade barrier. However, it is critical that you deeply understand the frameworks, policy positions, and interests that your country approaches these issues from, in order to defend your country’s interests well in discussing these issues in a broader way.

### **History of the Topic**

One of the first priorities of the newly-created United Nations was the creation of an international body dedicated to promoting liberalized international trade. At multilateral negotiations in Havana, the US and UK led efforts to create an International Trade Organization (ITO) which, though approved by negotiating parties, was never created due to the failure of the US Congress to ratify the Havana Treaty. After this failure, negotiators, operating under the aegis of the UN Conference on Trade and Employment, met in Geneva in 1947 to create a less hierarchical, less centralized organization that would still meet their aims of promoting international trade and trade liberalization.<sup>39</sup> The “Geneva Round,”

---

<sup>38</sup> “WTO deal aims to boost global commerce,” *Al Jazeera*, last modified 7 Dec 2013, accessed 20 Jun 2016, <http://www.aljazeera.com/news/asia-pacific/2013/12/trade-deal-reached-boost-global-commerce-201312763653722874.html> .

<sup>39</sup> “General Agreement on Tariffs and Trade (GATT),” *Encyclopedia Britannica*, accessed 21 Jun 2016, <https://www.britannica.com/topic/General-Agreement-on-Tariffs-and-Trade>.

concluded in October 1947, thus established the General Agreements on Tariffs and Trade (GATT), which initially counted 23 member governments.<sup>40</sup>

Since the passage of the Geneva Round, 7 more Rounds of multilateral trade talks took place. These include: Annecy 1949, Torquay 1950, Geneva II 1956, Dillon 1960, Geneva III 1964 (nicknamed the “Kennedy Round”), Tokyo 1973, and Uruguay 1986. With very few exceptions, a few major trends occurred over the course of these Rounds. First, the length of negotiations and the number of participant countries both increased dramatically – from the initial Geneva Round’s 7 months and 23 countries to the Uruguay Round’s 87 months and 123 countries, making it harder each time to reach a final agreement.<sup>41</sup> Second, the scope of issues covered by international trade agreements expanded dramatically. While initial agreements focused almost purely on tariff reductions, since the Tokyo Round negotiations have expanded to cover NTBs, intellectual property, dispute settlement, labor standards, environmental protection, agriculture, investment, and so-called “framework” accords on issues like government procurement, import licensing, and more.<sup>42</sup>

---

<sup>40</sup> Ibid.

<sup>41</sup> Craig VanGrasstek, “The History and Future of the World Trade Organization,” *World Trade Organization*, accessed 21 Jun 2016, [https://www.wto.org/english/res\\_e/booksp\\_e/historywto\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/historywto_e.pdf).

<sup>42</sup> Ibid.












V·T·E GATT and WTO trade rounds <sup>[2]</sup> <span style="float: right;">[hide]</span>					
Name	Start	Duration	Countries	Subjects covered	Achievements
 <b>Geneva</b>	April 1947	7 months	23	Tariffs	Signing of GATT, 45,000 tariff concessions affecting \$10 billion of trade
 <b>Annecey</b>	April 1949	5 months	13	Tariffs	Countries exchanged some 5,000 tariff concessions
 <b>Torquay</b>	September 1950	8 months	38	Tariffs	Countries exchanged some 8,700 tariff concessions, cutting the 1948 tariff levels by 25%
 <b>Geneva II</b>	January 1956	5 months	26	Tariffs, admission of Japan	\$2.5 billion in tariff reductions
 <b>Dillon</b>	September 1960	11 months	26	Tariffs	Tariff concessions worth \$4.9 billion of world trade
 <b>Kennedy</b>	May 1964	37 months	62	Tariffs, <b>Anti-dumping</b>	Tariff concessions worth \$40 billion of world trade
 <b>Tokyo</b>	September 1973	74 months	102	Tariffs, non-tariff measures, "framework" agreements	Tariff reductions worth more than \$300 billion achieved
 <b>Uruguay</b>	September 1986	87 months	123	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc.	The round led to the creation of WTO, and extended the range of trade negotiations, leading to major reductions in tariffs (about 40%) and agricultural subsidies, an agreement to allow full access for <b>textiles</b> and clothing from developing countries, and an extension of intellectual property rights.
 <b>Doha</b>	November 2001	?	159	Tariffs, non-tariff measures, agriculture, labor standards, environment, competition, investment, transparency, patents etc.	The round has not yet concluded. <b>Bali Package</b> signed on the 7th December 2013.

Figure 2, GATT/WTO Rounds<sup>43</sup>

A key take-away from this history of multilateral trade negotiations is that the system has become more *global*, more *institutionalized*, and has begun to *touch on more areas of economic regulation that were previously in the domestic sphere*. This has marked a fundamental shift in how international trade regulation is conceptualized – while initial agreements purely dealt with border tariffs and other “pure” trade issues, modern trade agreements seek **regulatory synchronization** across countries, whereby they agree to regulate products and services in a similar way to prevent “discriminatory” regulations that have the effect (intended or not) of impeding or disadvantaging imports compared to domestically-produced products.

<sup>43</sup> “General Agreement on Tariffs and Trade,” *Wikipedia*, accessed 21 Jun 2016, [https://en.wikipedia.org/wiki/General\\_Agreement\\_on\\_Tariffs\\_and\\_Trade](https://en.wikipedia.org/wiki/General_Agreement_on_Tariffs_and_Trade).

## Current Status

In the scope of issues – both functional, like investment regulation and international labor standards, and substantive, like agriculture and pharmaceuticals – it seeks to cover, the Doha Round is by far the most ambitious multilateral trade negotiation in world history. It has over 15 years since the negotiations began, and nearly 8 since they broke down.<sup>44</sup> While all parties remain at least nominally committed to achieving a new agreement that brings international trade into the 21<sup>st</sup> century, rising backlash against internationalism and trade in particular in the West have cast further aspersions on the likelihood of the Doha Round ever being revived. Examples of backlash include Brexit and Donald Trump.

According to the European Union’s trade ministry, the main issues on the Doha Agenda include “reforming agricultural subsidies, ensuring that new liberalization in the global economy respects the need for sustainable economic growth in developing countries, [and] improving developing countries’ access to global markets for their exports.”<sup>45</sup> The Doha Agenda also seeks to extend international trade rules into areas previously left to domestic economic regulation, such as the protection of intellectual property and investment, labor rights and environmental protections, and more.

Though the Doha Round has been marked by divisions, delays, and stagnation, one positive development was the passage of the Bali Package trade agreement in December 2013. The Bali Package marked the first multilateral trade agreement concluded by the WTO since its founding 18 years earlier. While it covered only select pieces of the agenda for the Doha Round, WTO Director-General Roberto Azevedo nonetheless said “for the first time

---

<sup>44</sup> “We must not let Doha, potentially the most ambitious global deal ever, fail,” *Financial Times*, published 13 Apr 2011, accessed 25 Jun 2016, <https://www.ft.com/content/cc495166-6626-11e0-9d40-00144feab49a>.

<sup>45</sup> “Doha Development Agenda,” *World Trade Organization*, accessed 25 Jun 2016, <http://ec.europa.eu/trade/policy/eu-and-wto/doha-development-agenda/>.

in our history, the WTO has truly delivered. We're back in business ... Bali is just the beginning.”<sup>46</sup>

In terms of content, the Bali Package covered four main areas – Trade Facilitation (i.e. how governments actually handle customs, trade regulations, and imports/exports), Food Security, Cotton, and Development/Least Developed Countries.<sup>47</sup> While many of the reforms are technical, key improvements to the trade landscape as a result of the Bali Package include allowing poor countries to stockpile reserves of staple food goods without being accused of a trade violation, simplifying customs procedures around the world, providing greater training and technical capacity building assistance to customs and trade officials in the poorest countries, allowing subsidies in the trading of cotton (a measure seen as a boost chiefly to the US), and most importantly, allowing Duty-Free Quota-Free (DFQF) Market Access for Least-Developed Countries.<sup>48</sup> This last point means effectively unlimited market access for the poorest countries to export to the richest.<sup>49</sup> This is seen as an anti-poverty measure, and continues a long tradition of providing Preferential Trade status to the world's poorest countries, giving them as much opportunity as possible to grow their economies by exporting.

Going forward, the number one issue that is gridlocking the advancement of the Doha Agenda is the refusal in certain developed countries, particularly the US and Canada, Japan and parts of the EU's membership, to agree to reduce their agricultural subsidies, which have for decades been exempted from rules otherwise banning government subsidies

---

<sup>46</sup> “WTO deal aims to boost global commerce,” *Al Jazeera*, published 7 Dec 2013, accessed 25 Jun 2016, <http://www.aljazeera.com/news/asia-pacific/2013/12/trade-deal-reached-boost-global-commerce-201312763653722874.html>.

<sup>47</sup> “Bali Package and November 2014 decisions,” *World Trade Organization*, accessed 26 Jun 2016, [https://www.wto.org/english/thewto\\_e/minist\\_e/mc9\\_e/balipackage\\_e.htm](https://www.wto.org/english/thewto_e/minist_e/mc9_e/balipackage_e.htm).

<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*

of national products as an unfair trading advantage.<sup>50</sup> While average tariff levels for other goods and services have fallen precipitously since the passage of GATT in 1947, agricultural tariffs have remained steadfastly high.<sup>51</sup> Furthermore, many of the world's poorest economies are heavily dependent on agriculture, so expanding opportunities for them to export would disproportionately benefit the world's poorest people.<sup>52</sup> However, countries in the West subsidize their agricultural industries enormously, for both political and economic reasons. Political reasons may include the Iowa Caucuses' importance in American presidential primaries making it effectively impossible for the US to stop subsidizing corn. Economic reasons include the fact that some Western farmers would likely not be able to compete as effectively against industrial farming using lower-wage labor in poorer countries.

Finally, poor governments cannot compete with rich Western ones in subsidizing their own farmers. This has the effect of killing the agricultural industry in these countries, as their markets become flooded with cheap, subsidized US and European rice, corn, etc., a key factor in the global "poverty trap." Your task, above all else in reviving the Doha Round, is truly a question of resolving this impasse, by working out a palatable compromise deal on agricultural liberalization that will allow poor countries to compete and develop on a fair trading field without forcing the West to enact policies it realistically never will.

## Country Policy

Since the various country policies, at least by region, have been implicitly described above, I do not repeat them extensively here. The below information should serve only as a

---

<sup>50</sup> Timothy E. Josling, "Agricultural Trade Policy: Completing the Reform," (1998).

<sup>51</sup> "Global Trade Liberalization and the Developing Countries," *International Monetary Fund*, last modified Nov 2001, accessed 26 Jun 2016, <https://www.imf.org/external/np/exr/ib/2001/110801.htm>.

<sup>52</sup> Mark Tran, "EU agriculture policy 'still hurting farmers in developing countries,'" *Guardian*, published 11 Oct 2011, accessed 28 Jun 2016, <https://www.theguardian.com/global-development/poverty-matters/2011/oct/11/eu-agriculture-hurts-developing-countries>.

starting point in your research, and should not be taken as a complete guide on the specifics of your country's interests and policy in these complex negotiations.

*US:* The US has long been a major proponent of further institutionalizing the rules of international trade, and is the key centerpiece player in both TPP and T-TIP. However, it vigorously opposes liberalizing its own agricultural subsidy laws, which amount to billions of dollars in giveaways to corporate and small farmers every year, programs that buy surplus agricultural produce in order to raise prices (called “price support”), and other programs that distort the market price of American agriculture in order to support farmers and promote US food exports. However, given strong US support for the rules-based international order more broadly, especially in light of Brexit, rising Chinese assertiveness against that order, and rising nationalism and isolationism across the West, the US also maintains a strong interest in proving that the multilateral trading system can still work. The US should therefore seek a policy that balances these interests, advancing the multilateral trading system and associated international architecture while doing its best to preserve its traditional agricultural subsidies.

*EU:* Though European agricultural subsidies are lower in absolute terms than American ones, Europe's interest in preserving them is dramatically bigger than both America's or than its own member states', for institutional reasons. To wit, the EU's Common Agricultural Policy (CAP), under which the Union centrally administers farm subsidies across its member states, is one of the only areas outside of trade and foreign affairs where the EU has successfully taken over the function of its member states. CAP, while roundly criticized by scholars as inefficient and subsidizing the largest corporate farmers in Europe disproportionately, still comprises such an enormous share of the EU's budget (roughly

40%, down from 70% in the 1980s) that the EU as an institution would refuse to give up a program that accounts for such a large share of its power and clout.

*Other developed nations:* For developed nations outside the US and EU, the story is roughly similar, although Australia, New Zealand, and Canada don't subsidize their agricultural to the same degree as the US and Europe, and agriculture represents a much lower share of Japan's economy than in the rest of the West. As such, these countries can act as important interlocutors between the US/EU and the "rest," and will play a key role in mediating between the two sides in any compromise deal that is reached.

*Developing Nations:* Except for India, the rising powers do not maintain extensive agricultural schemes, and thus maintain a strong interest in seeing them dismantled in the West as it will allow their farmers to compete more fairly with ones in the EU and US. Additionally, the vestigial 'holdouts' of agricultural subsidies given the rapid drop in all *other* tariff areas is seen by many of these countries as a sign of the West's continued dominance over and unfairness in the international system. They thus seek to reform this system both for symbolic and for substantive reasons.

India, however, maintains a large program wherein it buys enormous amounts of grain, rice, and other staple foods and stores them in warehouses for distribution to the country's poorest. India is fiercely defensive of this system, which has kept many of its poorest out of immediate starvation, and will thus seek to maintain it or get a caveat for it. An initial caveat exempting this program from WTO challenges or lawsuits was granted to India in the Bali Package. India would thus be extremely reluctant to see that exemption undone in the Doha Agreement, and instead would strongly push to make its exemption



permanent; however other trading partners will likely want side agreements or other concessions in order to vote to approve this extension.

*Least developed countries:* For LDCs, their leverage over richer countries is lesser than that of the rising powers', however the intensity of their interests in seeing the subsidy system dismantled is stronger, as agriculture represents a much larger share of their GDPs. Many of these countries explicitly accuse the US and Europe of perpetuating the Poverty Trap through their agricultural subsidies, which flood the market in the world's poorest countries with cheap, subsidized Western goods, thus putting many of the countries' farmers out of work instead of allowing for fair competition that could build a middle class through agricultural exports. LDC trade representatives, then, are intensely in favor of seeing these subsidy schemes reversed or weakened, though as the West currently grants them Preferential Trade status that goes beyond even what is considered fair (for reasons of charity and development), the LDCs will not want to so upset richer countries as to see these PTS agreements fall apart.

### **Questions for Consideration**

- How can the committee best go about balancing the interests of developed and developing countries vis-à-vis agricultural subsidies?
- What other side agreements might the parties be willing to make in order to secure concessions from the other side on agricultural subsidies?
- In pushing forward the Doha Round, what *other* new trade rules or liberalizations not discussed above would your country like to see included, and how can you best advocate for them?

- A substantial part of the Doha Agenda is taking previously domestic economic regulation, outside the normal scope of international trade agreements, and in some ways internationalizing it. How much sovereignty is your country willing to give up in the name of economic liberalization?