THE EVOLUTION OF GLOBAL TRADE REGIME
Summary

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INTRODUCTION

What is global trade regime?

1) Trade
2) National regulation
3) International agreement
TRADE

● A symbol of modern political economy

● A historic phenomenon
  ■ The ‘Silk Road’
  ■ Ancient Athens
NATIONAL REGULATION

- **Forms of regulation include:** Tolls & Tariffs
  - **Tolls:** paid by traders to local leaders
  - **Tariffs:** tax added to traded products

- **Purpose**
  - Protectionism
  - raise revenue

Liberalism vs Protectionism
HISTORICAL ANTECEDENT: 1860 to 1945
GOLDEN AGE OF LIBERALISM

Free Trade

- **Advocate**
  - Adam Smith: ‘Absolute Advantage Theory’

- **Opponent**
  - Alexander Hamilton
    - interventionist policy
    - tariffs for industry promotion
PERIOD OF DEPRESSION: 1870

- Shifted to protectionism by reinforcing regulation
  - *ex. Italy, France, Germany*
- Britain still embraced free trade

The First World War

- Ended the golden age; Britain abandoned its policy
RTAA and the New Age

Smoot-Hawley Act of 1930

culmination of protectionism

- Loss of control over the economy
- Reciprocal Trade Agreement Act (RTAA)

Establishment of a liberal system
BIRTH OF GATT
1947
POST ECONOMIC INSTITUTION

● Post War US Ascendancy of the US
  ○ International policy making
  ○ Security policy: UN, NATO, Western Block building…
  ○ Reconstruction aid to Europe: Marshall plan

● US hegemony
  ○ International money payments
  ○ Trade: 17% (1950) => 20% (1960)
  ○ Foreign investment: $100Billion (1973)

● US leadership rest on other Western nations
  ○ Threat of Communism => Increased willingness
POST ECONOMIC INSTITUTION

- Drafted in 1947
- GATT reflect US values
  - Trade liberalization
  - Multilateralism
  - Legal approach to international trade relations
- Result: Consensus through compromise
  - Embedded liberalism: Liberalism + Keynesian domestic interventionism
  - Capture compromise in the Bretton Woods economic regimes:
    - Liberalization
    - Pursuit of domestic social and political objectives.
RULES OF THE GATT

- New structure for the international system
  - Bretton Woods Conference (1944):
    - International Bank for Reconstruction and Development (World Bank)
    - International Monetary Fund
  - International trade agreements
    - International Trade Organization (1948)
    - Not ratified by the US Congress
  - GATT replaces ITO (1947)
    - Contract: trade rules for industrial and manufactured products
    - Rules and principles codified the General Agreement (35 articles)
• Objective of GATT
  ○ Reduce tariffs
  ○ Limit use of non tariff barriers: quotas
• Principles
  ○ Liberalization
  ○ Non-discrimination
  ○ Reciprocity (except agriculture & textile)
  ○ Development: Special and differential treatment (SDT) for developing countries
  ○ Safeguards: flexibility, escape clauses & exceptions
• Wavers in exceptional cases
CONCLUSION: RULES OF THE GATT

- Provided basis for governance in narrow but fundamental sector of IR
- GATT was not intended to be international organization
- Only temporary agreement until ITO Charter implemented
- GATT rule provided rudimentary basis for regulation of international trade
GATT years

1947 GATT
1960 Dillon Round
1964 Kennedy Round
1973 Tokyo Round
1986 Uruguay Round

1995 WTO

26 26 62 102 123

Tariffs
Tariffs & Anti-dumping measures
Tariffs & Non-Tariffs measures

Transitional Stage
Tariffs, Non-Tariffs Measures, services, intellectual property, dispute settlement, creation of WTO
GATT negotiations to 1979
INTRODUCTION/BACKGROUND

- Accession of new members but no significant progress in liberalizing trade
- European recovery from war was slower than expected
- US preponderant actor
KENNEDY ROUND: 1963-1967

- European Community
- New topics introduced
  - Agriculture
  - Special treatment of developing countries
  - Non tariff measure
- Disagreement between US and EC
- Significant tariff cuts: industrial goods in developed countries
- Anti Dumping Code
- Failure: extend liberalization into non-tariff barriers to trade
GATT years

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Tariffs

62 Tariffs & Anti-dumping measures

102 Tariffs & Non-Tariffs measures

123 Transitional Stage
Tariffs, Non-Tariffs Measures, services, intellectual property, dispute settlement, creation of WTO
TOKYO ROUND: 1973-1979

- 3 categories of results
  - 6 legal codes dealing with NTBs
  - Tariff reductions
  - 'Framework' agreements

- Developing countries overall disappointed by the Tokyo Round (withstanding enabling clause)
  - Failure to tackle non tariff measure
  - Unprecedented participation of developing countries

- Multilateral negotiations become a point of departure for managing the international trade system
- Constituted legal rules impacting domestic regulatory systems
The Uruguay Round
Introduction

• In 1985 the GATT contracting parties agreed to the launch of a new round, and in 1996 the Uruguay round was launched.
• America was the key advocate for the new round.
• Many countries were opposed to this round.
• When the initial ministerial meeting failed, the United States started negotiating bilaterally and regionally.
The Uruguay Round
New Issues

- The services had come to account for more than half of the Gross Domestic Product (GDP), and the services became very mobile across international borders.

- One important obstacle of free exchange of services between countries is the reluctance of domestic authorities to grant foreign firms the rights to establish and do business.

- In order to translate GATT principles into trade in services General Agreement on Trade in Services (GATS) was created.
The Uruguay Round
New Issues

• The intellectual properties were one of the issues in Uruguay round.

• The agreement with agriculture built a conflict between the US and the EU
Uruguay Round
Results

• The Uruguay Round resulted in creating WTO
• The agreements expanded the rules on International Trading System
• The Uruguay Round brought developing countries into the international regime
• The Uruguay Round represented a System based more on Rules than Power
The WTO

World Trade Organization
Background

1986-1994

@The Uruguay Round

: the Agreement Establishing the WTO

1995

: Birth of WTO = a turning point in the evolution of the global trade regime
Aims

- to reduce discrimination and promote market access opportunities
- to formulate rules
- to promote transparency
- to promote dialogue and understanding on trade matters
- to settle trade disputes
Overview

- Memberships
  162 + 26 countries (including China and Russian Federation)
- Headquarters @ Geneva
- The Ministerial Conference (every 2 years)
- The General Council
- one-country / one-vote basis
Main functions

To provide for a transparent and predictable system of international trade…

1) Making international trade rules
2) Providing forum for dialogue on international trade issues
3) Adjudicating trade disputes among members
Dispute settlement

A three-step process

1. consultation
2. a legal process of adjudication
3. an appeal

Highly effective
The WTO and civil society

The WTO has enabled the civil society

1) to be involved in the global trade regime.
2) to improve its relationship with the WTO
   by promoting transparency and accessibility.
3) to make its mobilization on trade issues less centered on the WTO.
Current issue

The WTO is supposed to be **DEMOCRATIC**

but...

**DISPARITY** within the organization exists

i.e.) Successive Directors-General

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<th>Country</th>
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<tr>
<td>Peter Sutherland</td>
<td>1 July 1993—</td>
<td>Ireland</td>
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<td>Renato Ruggiero</td>
<td>1 May 1995—</td>
<td>Italy</td>
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<td>Mike Moore</td>
<td>1 September 1999—</td>
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<td>Supachai Panitchpakdi</td>
<td>1 September 2002—</td>
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<td>Pascal Lamy</td>
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<td>Roberto Azevedo</td>
<td>1 September 2013—</td>
<td>Brazil</td>
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The Doha Round

• The Doha Round negotiation had major issues
  • The division between the US and the EU regarding the Singapore Issues.
  • The importance of agriculture in developing countries.

• First negotiation broke down over Singapore Issues and Agriculture

• Second negotiation failed due to the US, the EU, and the developing countries all failing to reach an agreement

• Third negotiation failed due to the conflict between the US and the import-sensitive China and India
The Doha Round

• Because of the many failed attempt at the Doha Development Agenda negotiations, a new multilateral negotiation called the Bali Package was launched.

• The failure of the Doha Round is partly due to the rapidly changing global trade regime and the multilateral negotiations became no longer effective.
Challenges to the multilateral trade system
Agriculture and industrial tariffs

- Developing countries demanded access to developed country markets

Preferential trade agreements

- Regional trade agreements
- Mostly, among developing countries

Requirements were being met by RTA’s, not WTO

- Investments, services, intertwining of trades, etc.
- Low tariff
Problems in the long-run

- Diminished understanding of WTO
  - Trade conflicts
- Losing the balance of global trade system
  - A trading system dominated by the strong countries
- Global trade issues
Conclusion

● Rule-based regime (WTO)
  ○ A double edged sword

● WTO’s goal is to create an organization and develop the economies of the incorporate countries
  ○ Their biggest challenge
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Discussion Questions

● Is the WTO compatible with national and local trade legislations/governance?

● With President Trump and a re-emergence of mercantilist trends in the US today, are there still genuine safeguards against trade discrimination in international trade today?

● If GATT had not emerged after the ITO failure, how do you think international trade networks and organizations would have developed? Would another economic power have taken the ascendant role in international trade?

● How did the WTO and the expansion of trade liberalization affect your country's economy? Did it positively affect your countries’ economy and trading capacity?

● Are regional trade agreements threatening globalization & trade liberalization or are they facilitating it?