

Welcome to the 2019 Heidelberg WTO Ministerial Conference

Dear Delegates,

We would like to welcome you to the 2019 Heidelberg WTO Ministerial Conference in the framework of the 2019 Heidelberg National Model United Nations.

This ministerial conference is one of the most important ones the WTO has organized. The global system of trade, as enshrined through the WTO, is facing a pressure from different sides. While some powers seek to tweak it to their advantage, others prefer unilateralism to multilateralism. The WTO is seeing its soft power as a guardian of global trade rapidly slipping away. This calls for swift and significant reforms. Delegates at this conference will be asked to debate and decide on nothing less than the future of the WTO.

This study guide should serve as an overview and an introduction to our debate. It is important that you have a good understanding of your countries general position, to ensure the debate flows smoothly. The debate will center on a multitude of issues, thus be sure to research the position of your country on each of them. Although this is a WTO ministerial conference, the debate will be held according to the MUN rules of procedure.

We are very much looking forward to the conference. We are sure this weekend will be an exceptional experience for all of you, with interesting debates, great speeches, and of course meeting delegates from different backgrounds.

We are looking forward to meeting you all!

Best regards,

Your chairs
Thomas Palm and Leonhard Küntzle

I. Overview of the conference

In contrast to many international governmental organizations, at the World Trade Organization (WTO) the Ministerial Conference(s) is the top decision-making body and meets at least once every 2 years as required by the Marrakesh Agreement - the founding charter of the WTO. It brings together all countries and custom unions that are members, and are able to take decisions on all matters under any of the multilateral trade agreements. In this respect, the WTO is different from other organizations such as the IMF or the World Bank where power is delegated to an organizational head or a board of directors.



There have been 11 Ministerial Conferences since 1996, and while based in Geneva, Switzerland, these conferences are held in locations across the 164 different member states:

#	Date	Host City
1	9 - 13 December 1996	Singapore
2	18 - 20 May 1998	Geneva, Switzerland
3	30 November - 3 December 1999	Seattle, United States
4	9 - 14 November 2001	Doha, Qatar
5	10 - 14 September 2003	Cancun, Mexico
6	13 - 18 December 2005	Hong Kong
7	30 November - 2 December 2009	Geneva, Switzerland
8	15 - 17 December 2011	Geneva, Switzerland
9	3 - 6 December 2013	Bali, Indonesia
10	15 - 18 December 2015	Nairobi, Kenya
11	10 - 13 December 2017	Buenos Aires, Argentina
12	12 - 13 January 2019	Heidelberg, Germany

Moreover, these ministerial conferences can cover a broad range of topics e.g. fisheries subsidies, e-commerce duties, and the ascension of new member states, and typically close with a set of unanimously agreed upon decisions. The conference is next scheduled for 2020, and will be hosted by Astana, Kazakhstan, marking the first time a ministerial conference takes place in Central Asia.

II. History and structure of the WTO

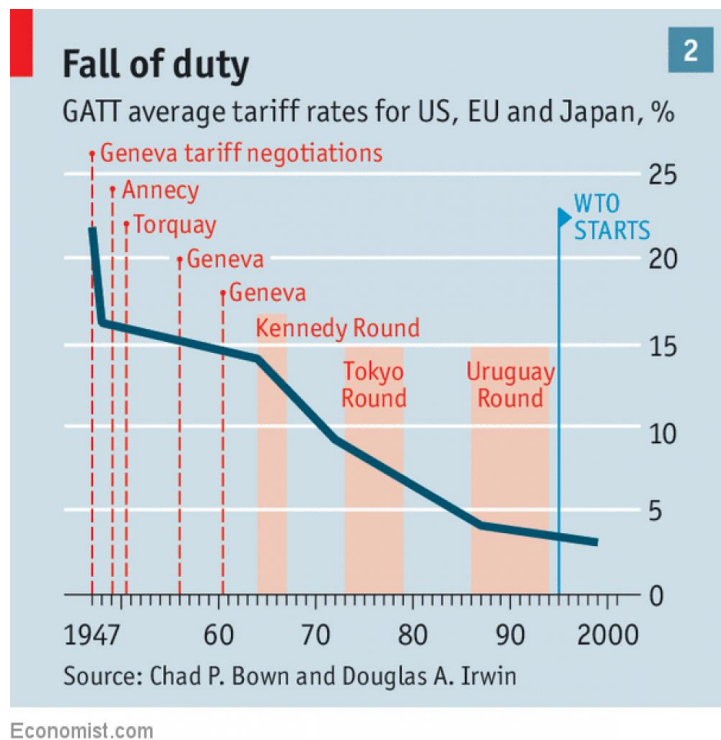
A. History of the WTO



The WTO officially came into being on the 1st of January 1995 following the signing of the Marrakesh Agreement in April 1994 by 124 nations in Marrakesh, Morocco. The agreement called for a single institutional framework that encompassed its predecessor, the General Agreement on Tariffs and Trade (GATT), originally signed in 1947, as well as its supplementary agreements and arrangements. Furthermore, it was also intended to provide a more efficient and legally binding means of dispute resolution.

While other organizations such as the World Bank and the IMF came into being in 1944 and 1945 respectively, an international organization specifically on trade, originally proposed to be named as the International Trade Organization (ITO), was not set up due to the lack of ratification from key signatories such as the U.S. As such, the GATT slowly became the de facto organization on international trade.

Well before the 40th anniversary of the GATT, members began to voice concerns that the GATT system was struggling to adapt to the changing circumstances of a newly globalizing world. Examples of issues that were identified include structural deficiencies, as well as the inability of GATT to address the spillover effects caused by the trade policies of some countries. In response to this, in 1986 the largest negotiating round on international trade, known as the Uruguay round, was launched with the aim of extending and reviewing the existing trading system, most notably the services sector, intellectual property and agriculture. This round was concluded with the 1994 ministerial meeting in Marrakesh which resulted in the Marrakesh Agreement.



[Source: Economist](#)

Along with the introduction of new items, the GATT still exists as the WTO's umbrella treaty on the trade of goods albeit with updates as a result of the Uruguay round. The agreement comprises of six main parts, namely:

- The Agreement Establishing the WTO
- The Multilateral Agreement on Trade in Goods
- The General Agreement on Trade in Services
- The Agreement on Trade-Related Aspects of Intellectual Property Rights
- Dispute Settlement
- Review of governmental trade policies

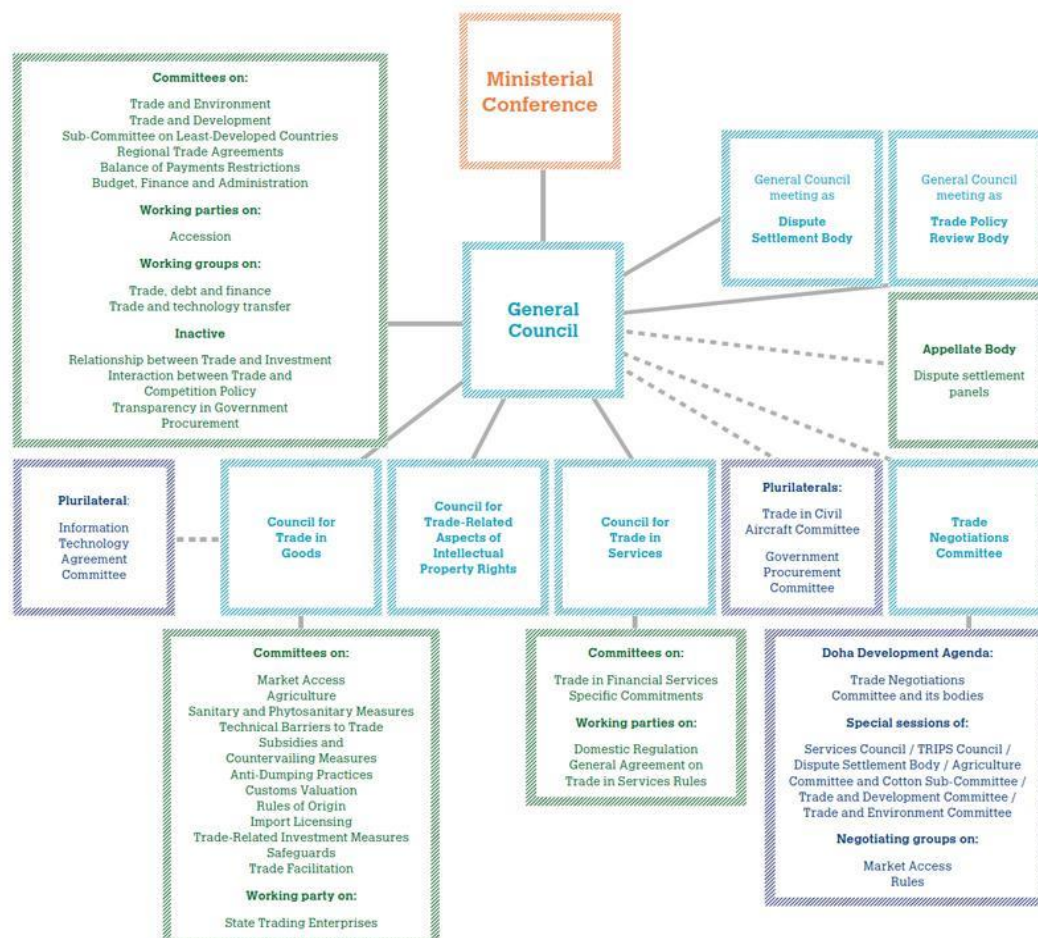
In 2001, the WTO launched its current round of negotiations, known as the Doha Round, following the fourth ministerial conference in Doha, Qatar. The Doha Round aims to make globalization more inclusive, and strives to help the world's poor by slashing barriers and subsidies in farming. As of today, negotiations are still in progress.

B. Structure of the WTO

Box 1 - Fact File

Location: Geneva, Switzerland
Established: 1 January 1995
Created by: Uruguay Round negotiations (1986 - 1994)
Membership: 164 members (covering 98% of world trade)
Budget: 197 million CHF (2018)
Secretariat Staff: 625
Head: Roberto Azevedo (Director-General)

The WTO, the world's largest international economic organization, is headed by the Ministerial Conference which meets at least once every two years. In addition to this, a General Council oversees the operational aspects of this agreement as well as ministerial decisions. This General Council also acts as a body for dispute settlement and a mechanism for reviewing trade policies. The established WTO framework requires a single undertaking approach i.e. a member cannot be party to any one agreement without being party to all agreements. In other words, the WTO is run by its member governments, and all major decisions are made unanimously either through the ministers at the ministerial conference, or through their ambassadors or delegates who are based in Geneva.



While the WTO does not define or specify outcomes, it establishes a framework for trade policies based on the following guiding principles:

- **Non-discrimination** - a country should not discriminate between its trading partners, and should not discriminate between its own and foreign services, products and nationals.
- **More open** - lowering trade barriers is one of the most obvious ways of encouraging trade
- **Predictable and transparent** - governments, investors and foreign companies should be confident that trade barriers will not be raised arbitrarily
- **More competitive** - discourage unfair practices such as export subsidies and product dumping
- **More beneficial for less developed countries** around 75% of WTO's members are developing countries and countries transitioning to market economics. These members should be allowed time to adjust, greater flexibility and special privileges.
- **Protect the environment** - the WTO permits members to implement measures to not only protect the environment, but to also to protect, public health, animal health and plant health. However, members must not use these measures as a way to disguise protectionist policies.

Box 2 - The WTO and the European Union

As are each of its 28 member states, the European Union (EU) is a member of the WTO on its own right - making it 29 member states in total. While the different member states coordinate their position in Brussels as well as in Geneva, at almost all WTO gatherings, the European Commission alone speaks for the EU, and as such most WTO material refers to the EU (or the EC). However, there are instances where a particular EU member state is cited, and this can be due to for example a dispute over the laws of a particular EU member state, or where the mentioning of the specific nationality is of relevance (e.g. WTO committee chairpeople).

C. Principles of the WTO

The basis of the WTO is the idea that its members pledge not to raise tariffs above agreed levels. They agree to apply tariffs based on the “**Most Favored Nation**” (**MFN**) principle. Applied strictly, countries should not be able to discriminate between their different trade partners, as a lower tariff granted to one member should be granted to all. For example, China's ascension to the WTO means that it's required to apply equal tariffs on cars coming from both the EU and the United States, and vice versa.

The above system on equal tariffs is designed to be self-reinforcing. WTO membership involves a trade-off between the costs of non-compliance, and the benefits of maintaining access to a 164 member-strong club that accounts for 98% of global trade. When deals are first struck, negotiators bargain so that the benefits of trade liberalization outweigh the political penalties. If the penalties turn out to be greater than expected, the system has built-in safety valves; if imports are surging as a result of state subsidies or below-cost sales to an extent that domestic industries and jobs are threatened, members are able to raise tariffs as a defense.

In addition, since 1995 if one member suspects another of rule-breaking, mechanisms are available where their cases can be put forward and heard by the WTO's panel of judges. Should these arbiters conclude that there was an instance of wrongdoing, limited retaliation can be sanctioned by the WTO. The economic costs of such tariffs and the political pressure that would ensue from being labelled as a rule-breaker are meant to encourage rule-compliance.

Box 3 - Overview on the theories of international trade

Ricardian model

The Ricardian model focuses on comparative advantage that arises due to differences in technology and natural resources. If we take a two-country, two-commodity world as an example, it suggests that there is mutual benefit in every trade even where a country is more competitive in every area, and that countries should focus on areas where it has a comparative advantage vis-a-vis its trade partner.

Heckscher-Ohlin model

The Heckscher-Ohlin model predicts that international trade is determined by differences in factor endowment. In other words, countries will produce and export goods that make intensive use of those factors that are abundantly available locally, and import those goods that make intensive use of those factors that are locally scarce.

New trade theory

New trade theory attempts to explain areas that the comparative-advantage based models above have difficulties with. In many cases, new trade theories are based on the notion of increasing returns to scale and monopolistic competition. For example, one result of said theory is the home-market effect. The home-market effect asserts that if industries tend to cluster in one location due to returns to scale, and if that industry begins to face rising transportation costs, it will relocate as a whole to a different country in order to minimize costs.

III. The Topic

The WTO stand at a crossroads. Formerly seen as a champion and protector of international trade, it has seen its role on the international stage as well as its ability to act being progressively undermined in the previous years.

Nowadays, the WTO is seen to stand idly, as political leaders across North America, Asia, and Europe embroil in trade disputes and impose retaliatory tariffs against each other, actions which to an extent go against the very essence of the WTO's existence. Furthermore, In light of blocked nominations to its appellate body, the WTO is currently at risk of becoming another impotent and ultimately failed institution of international cooperation, such as the League of Nations, the former headquarters of which it currently occupies. With the demise of the WTO, the current global system of international trade is facing the risk of collapse.

A. Recent developments on international trade

A global slowdown in trade facilitation

In light of the Group of 20 (G20) summit in Buenos Aires in early December 2018, the WTO published its 20th monitoring report on the G20. It found that the amount of G20 trade covered by new import-restrictive measures hit a new high in the period between mid-May to mid-October 2018. An estimated USD 481 billion in trade coverage in the reporting period eclipsed the USD 74.1 billion in trade coverage of the previous reporting period between mid-October 2017 and mid-May 2018, which was already one and a half times larger than that reported one year prior.

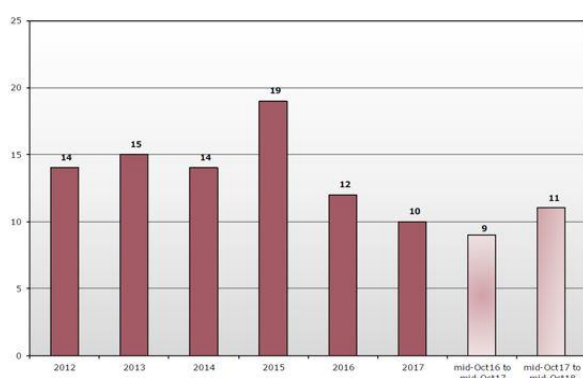


While trade-facilitating measures among G20 economies have grown as well, their growth has been significantly lower. At USD 82.7 billion, trade coverage of trade-facilitating measures had been higher than that of import-restrictive measures during the previous reporting period of mid-October 2017 to mid-May 2018. However, in the current reporting period, with USD 216 billion, trade coverage of trade-facilitating measures is less than half of the import-restrictive measures.

On a global level, the trend towards more trade restriction is also evident. While WTO the number of trade restrictive measure increased only marginally (137 new measures implemented over the last reporting period), the total amount of trade coverage of import restrictive measures rose sharply (to more than USD 588.3 billion), to more than seven times the amount recorded in the previous year. At the same time, it is important to note that trade-facilitating measure have also risen over the last reporting period (162 measures in total). This is illustrated in the three graphs below:

Trade-restrictive measures

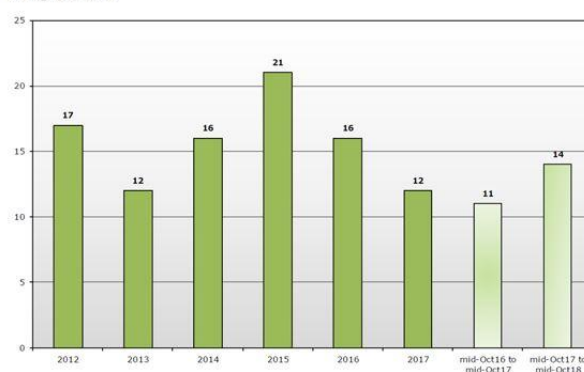
(average per month)



Note: Values are rounded. Changes to averages of previous years reflect continuing fine tuning of, and updates to, the TMDB.

Trade-facilitating measures

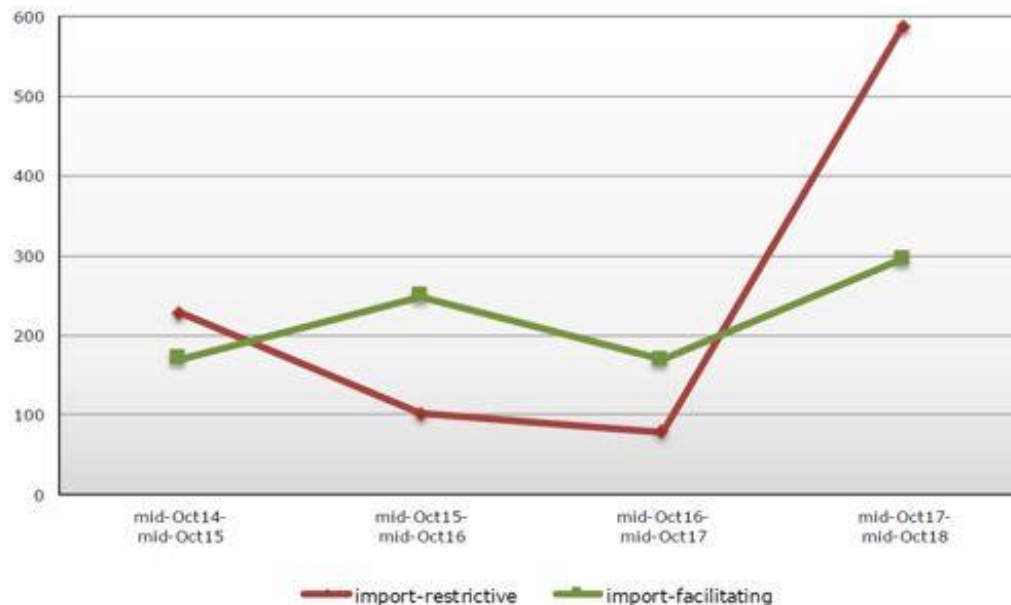
(average per month)



Note: Values are rounded. Changes to averages of previous years reflect continuing fine tuning of, and updates to, the TMDB.

Trade coverage, current and previous reports

(USD billion)



Note: These figures represent the trade coverage of the measures (i.e. annual imports of the products concerned from economies affected by the measures) and not the impact of the trade measures. These are estimates based on 2013 to 2017 import data. Liberalization associated with the 2015 Expansion of the WTO's Information Technology Agreement is not included in these figures.

[Source: WTO](#)

Trade partnerships are being disbanded

The global trend towards a more restrictive trading regime can also be seen on a more regional level. A prime example that comes to mind is the restrictive trade policy being pursued by the Trump administration in the United States. One of its first actions after coming to office was pulling the United States out of the Trans-Pacific Partnership (TPP), rendering the document signed on February 4th, 2016 void. The TPP was a trade agreement that contained measures to lower both non-tariff and tariff barriers to trade. While the remaining parties to TPP agreed to implement a similar agreement, the fact that the world's largest economy decided not to participate was a stark sign of growing anti-trade sentiment.

However, the withdrawal from TPP was not the only trade agreement affected by the policies of the Trump administration. The United States also decided to force a renegotiation of the North American Free Trade Agreement (NAFTA) between Canada, Mexico and the United States. Furthermore, they decided to halt the negotiations for the Transatlantic Trade and Investment Partnership (TTIP) with the EU, poised to be the largest bilateral trade initiative ever negotiated.

The general aversion to all things free-trade is not a phenomenon that is restricted to the US however. TTIP was also met with distrust and protest from large parts of the EU population, who feared a lowering of quality standards and diminishing workers' rights. At the same time, the European Union, a union built on the free flow of goods, is on the verge of losing one of its most prominent member states through *Brexit*. In the referendum held in June 2016, the citizens of the

United Kingdom decided to vote to swap membership of a large trading block against more national sovereignty.

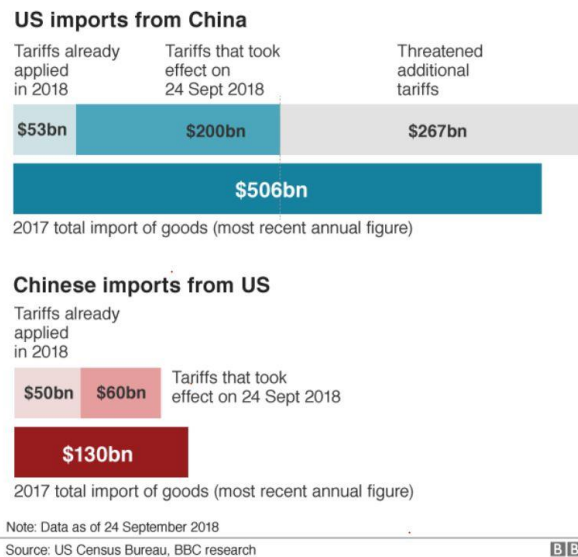


Bilateral trade wars are flaring up

Not only are international trade agreements facing abandonment, national trade policies worldwide are becoming increasingly more confrontational. A prime example for this development is the escalating trade wars between the United States and many of its trading partners. The Trump administration has pushed a hard line on trade, imposing tariffs on imports from China, Mexico, Canada and the EU, with those affected responding in kind. For example, in early 2018, the US imposed tariffs on imports of steel (25%) and aluminum (10%) from the EU, Mexico and Canada. As a consequence each trading partner retaliated e.g. the EU responded by imposing tariffs on an array of products worth EUR 2.8 billion such as bourbon, motorcycles and orange juice.



Currently, the most prominent conflict is the trade row with China. Citing the protection from unfair transfers of US technology and intellectual property to China, as well as the protection of domestic jobs, the Trump administration imposed tariffs on imported washing machines and solar panels in January. Chinese retaliation to this was followed by another round of additional tariffs (25%) by the United States, totaling USD 50 billion worth of goods over the first two rounds. When this was once again retaliated equally by China, the United States escalated the conflict in September, posing further tariffs (10%) on USD 200 billion of Chinese goods, threatening to raise these tariffs to 25% by the beginning of 2019. Talks during the G20 summit in Buenos Aires managed to halt the escalations in favor of further talks; however it is seen as a fragile truce that requires intense future negotiations.



[Source: BBC](#)

B. A Matter Unchanged: The WTO and Developing Countries

About two thirds of the WTO's members are developing countries. While trade is generally seen as a key element for their economic development, the group is highly diverse, (at least in part) resulting in a lack of common goals and strategies. This resulted in various provisions in the WTO agreements, granting special rights or extra leniency. As a key consequence, developed countries can grant special concessions to developing countries, while not receiving the same treatment in return (concept of non-reciprocity; e.g.: unilateral dropping of import duties and quotas). The WTO has also recognized the UN-adopted list of currently 47 least-developed countries (LDC; 36 of those are already WTO member states); their extra protection is not centrally focused on agreement provisions, but on political programs to provide special (e.g.: technical) assistance.

While the special attention the WTO is said to give to the needs of developing countries, the developed countries face no hard obligations in any agreement. Developing countries claim that most preferential treatment provisions are thus without any practical value. Also, developed countries' practice of subsidies that WTO rules do not prohibit is said to undermine the developing countries ability to develop stable economies of their own (e.g.: agricultural subsidies). This has led to the belief that the WTO trade system might only serve the interests of developed countries, sidelining those of developing countries. The WTO may also lack the means to sufficiently track the effects of world trade on developing countries, as focusing only on trade volumes does not indicate any improvement of living standards in regions not top of the list.

As is displayed by current discussions relating to the WTO, developing countries do not appear as discussion partners. Instead, the 'usual suspects' such as the United States, the EU, Japan, Canada, and, recently, China, dominate the agenda. The failing of the aims set at the Doha-Round in 2001 to better take into account the developing countries' interests appears to continue.

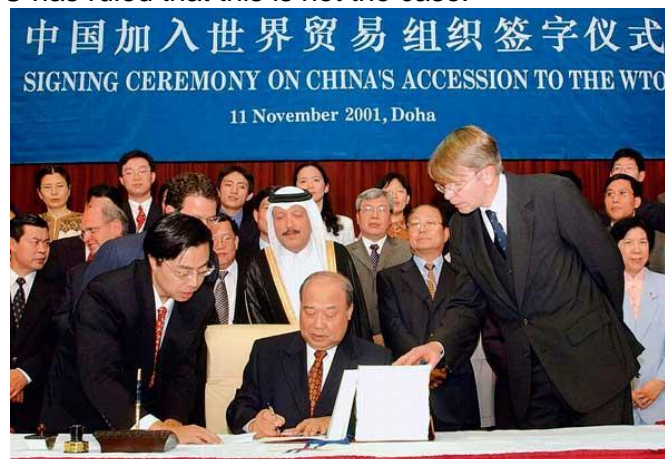
C. Challenges faced by the WTO

As described in the previous section, the global trade system is under attack, and judging by recent development, the attacks are not going to cease in the near future. In theory, the WTO should serve as a forum to discuss and negotiate trade-related issues; however during recent developments, due to various factors, there came nothing but a deafening silence from its part.

At an organizational level, the Trump administration is hampering the effective operation of the WTO Court of Appeals, by blocking the appointment of its judges. Currently, its judges require unanimous support for its appointment, and a US president with low regard for the WTO established trading system is keen to use this fact to render the organization powerless. Through subsequently justifying imposing tariffs by national security (a principle that is allowed under WTO rules), the Trump administration is damaging the organization further, eroding the trust of its member states and undermining a set of norms that have been built over the past decades.

However, the US president's dislike for multilateral organizations is not the sole reason that the United States is critical of the WTO; it has complained that the Court of Appeals has become too big and too bureaucratic. Initially, it was previewed that cases would be solved within 90 days, and member states would be consulted if the time-frame would be exceeded. However, since 2011 member states have no longer been consulted, and reports and judgments have become longer and more complex. In various cases, judges make legal commentaries on arguments that were not presented by either side, which looks like empire-building to some observers. On a more fundamental level, some US legislators argue that the WTO has overstepped its mandate, by ruling certain initiatives such as US anti-dumping duties a violation of WTO law.

A second major challenge facing the WTO is its treatment of China. When China joined the WTO in 2001, western legislators expected it to evolve towards a western-style capitalist state. This has so far not being the case has created a system unfit to deal with the economic policy of one of its largest members. For one, there is the issue of the WTO's definition of a public body. While western legislators have argued that Chinese enterprises in which the government holds a majority share should be classified as a public body (and thus be subject to restrictions regarding state aid and subsidies), the WTO has ruled that this is not the case.



In addition, China has been accused of defying the spirit of the WTO due to its practices of requiring foreign firms keen on investing into the Chinese market to establish joint ventures with local firms. These joint ventures included making patent technology available to the Chinese partners, which subsequently often ran off with the ideas.

More generally, the chapter in the WTO rulebook on curbing state subsidies has loopholes that China is keen to exploit. However, due to the extremely strict initial accession protocol, Chinese legislators have been reluctant to reopen negotiations, especially since a redefinition of e.g. public bodies would only harm their current practices.

This points to a more general issue the WTO is currently facing. As any agreements need to be accepted unanimously, the WTO has had extreme difficulties in finding an agreement. The first comprehensive agreement in the organizations history was the Bali package in 2013, more than 15 years after its foundation. The current round of negotiations, the so-called Doha Development Round, was started in 2001 and has still not been concluded. In general, negotiations come to a stand-still around the expectation of richer countries for everyone to adhere to a common rulebook and the expectations of developing countries for exceptions to foster development. Negotiations have been held hostage by countries such as South Africa or India to their own political agenda.

Developing countries have not been able to use their headcount majority in the WTO to their advantage. Trade power appears to reflect the bargaining power a country much more accurate than the political statements of some developed countries' representatives. Can more countries follow China's example and benefit from international trade, or will China even change into a speaker of developing countries? Or can at least the other BRICS countries assume at least parts of such role?

D. The future of the WTO

The WTO has thus reached a crossroads. Its system not adapted to the economic reality of China, attacked by a global anti-globalism (the irony does not escape us), and crippled by its own decision making process. To ensure it can keep its role as a guardian of global trade, a reform is inevitable.

To all fans of the WTO, despair-not, there is hope at the end of the tunnel. First negotiations have been taking place in smaller working groups on how a future WTO can be formed. The EU sees the current situation as an opportunity to act as a bridge between the US and China, thus addressing its own worries about China's rise and bringing the US back into the multilateral system. Together with Japan and the US, it has issued a brief statement voicing concerns about unfair competition practices and state subsidies. China was not named in the statement, though clearly the target.

At the same time, it has launched a working group with China to discuss the reform of the multilateral system. The EU has also drawn up plans to tweak the Court of Appeals, in hopes the proposed changes would be well received in US circles. A first statement by the EU, US and Japan seeks to further incentivize countries to share information on subsidies, while broadening the definition of public bodies. The statement has also hinted at bypassing the WTO's requirement for consensus, to avoid future stalemates. The proposals can thus be discussed in the EU-China working groups, to ensure their viability and pave the way towards a multilateral agreement.

Although the first exchanges are happening, delegates are still far from reaching a solution. While it will be important to ensure China is on board with a new rule proposals, developing countries may want to have their say in the process as well. The fact that a quarry between the largest members entails a reform while their voices have not been heard over the past years may not sit well with them. Many of them already believe the system is tipped in favor of richer countries, and a deal worked out between only the richest will likely be met with protests. Furthermore, the issues of technology transfers and patent right still remain hot-button issues between the US and China. Lastly, any success can be easily nipped in the bud by anti-globalists in powerful positions, most prominently Donald Trump.

Good luck.

IV. Links and further research

Organisation

[WTO Homepage](#)

[WTO on Developing Countries](#)

[WTO on Wikipedia](#)

Policy Papers & Studies

[WTO Trade Monitoring](#)

[EU Concept Paper](#)

Articles

[Economist - The world trading system is under attack](#)

[Economist - How to rescue the WTO](#)

[BBC: US-China trade war - Deal agreed to suspend new trade tariffs](#)

[BBC: US-China trade row - What has happened so far?](#)

[The Guardian: The WTO has failed developing nations](#)

[livemint: Developing nations wary of WTO's reforms proposals](#)

[Council on Foreign Relations: What's Next for the WTO?](#)