

CCYMUN 2023

Background Guide

Committee: WTO

Topic: Promotion of Fair Trade

Content

Welcome Letter	3
1. General Introduction	5
1.1 Introduction to the Committee	5
1.2 Introduction to the Topic	8
2. Current Situation and Past Action	12
2.1 Overview of Current Situation	12
2.1.1 Goods	12
2.1.1.1 Agriculture	12
2.1.1.2 Digital Production	15
2.1.1.3 Tariffs	18
2.1.2 Service	20
2.1.3 Intellectual Property	22
2.2 Past Action	24
3. Case Study	26
3.1 Fair Trade Conditions in the United States	27
3.1.1 Overview of American Policy	27
3.1.2 Previous Free Trade Advocate	27
3.1.3 Dumping and Tariff	28
3.1.4 Summary	31
3.2 Fair Trade Conditions in China	31
3.2.1 Overview of Chinese Policy	31
3.2.2 Domestic Situation	32
3.2.3 Global Investment	33
3.2.4 Summary	35
3.3 Fair Trade Conditions in The European Union	35
3.3.1 Overview of EU Policy	35
3.3.2 Solid Base of Fair Trade Movement	36
3.3.3 Narrow beneficiary and Multifarious Standards	38
3.3.4 Summary	40
4. Questions to Ponder	41

Welcome Letter

Dear all delegates,

We would like to welcome all of you to join us at the World Trade Organization of the 3rd Chengdu-Chongqing Youth Model United Nations Conference (CCYMUNC)!

The topic we will be dealing with is *Promotion of Fair Trade*, which is an important issue that requires a more holistic approach to address. There are so many aspects to be talked about when we talk about fair trade, thus the dais team selected some key areas for you to consider: *Trade in Goods, Trade in Services and Intellectual Property*. Due to some current issues, for example, the Covid-19 pandemic, Russia's war in Ukraine, climatic issues, political issues, etc., fair trade may be impeded. Some traditional solutions may not be effective enough, therefore delegates should carefully analyze the feasibility of possible solutions.

Also, the dais team would like to kindly remind you to take a closer look at our committee, which is the World Trade Organization (WTO). Please do not take it as United Nations Security Council (UNSC) or any other body under the UN. Remember that every country is equal in our committee.

Now the stage is yours. Delegates may discuss a certain topic in further sessions to find out practical methods to promote fair trade. Stand up for your country, speak with constructive advice and summarize with a courteous smile. Good luck and enjoy the upcoming journey!

See you all at the upcoming conference!

Best Regards,

The Dais Team of WTO,

Sirui Mei

Yihan Wang

Yiran Tang

The 3rd Chengdu-Chongqing Youth Model United Nations Conference

1. General Introduction

1.1 Introduction to the Committee

The World Trade Organization (WTO) is an intergovernmental organization that regulates and facilitates international trade between its member countries. It was established on January 1st, 1995, succeeding the General Agreement on Tariffs and Trade (GATT), which was formed after World War II. The three official languages of the WTO are English, French and Spanish.

The WTO offers a forum for negotiating agreements with the goal of removing barriers to international trade and guaranteeing equal playing conditions for all, thereby promoting economic growth and development. The WTO also offers a legal and institutional framework for carrying out, overseeing, and resolving disputes relating to the interpretation and application of these agreements. 16 different multilateral agreements, to which all WTO members are parties, and 2 different plurilateral agreements, to which only some WTO members are parties, make up the current body of trade agreements that make up the WTO.

The WTO has faced criticism and controversy, particularly from developing countries who argue that it favors the interests of developed countries and multinational corporations. However, the organization continues to play a significant role in global trade and commerce. The structure of the WTO is designed to ensure that its member countries have a say in the decision-making process and that the organization operates in a transparent and democratic manner.

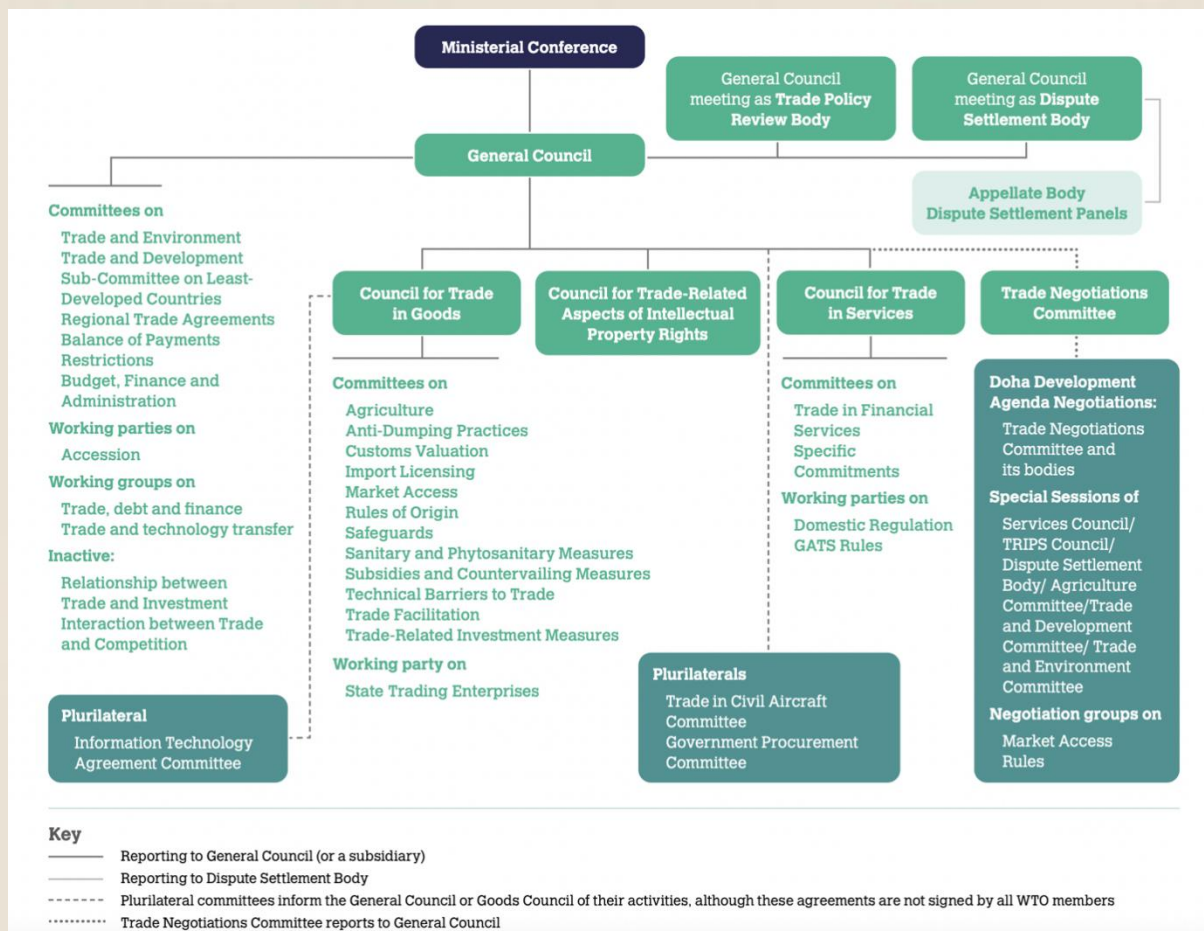


Figure 1¹ The Structure of WTO

The WTO has three main bodies:²

- 1) The Ministerial Conference. This is the highest decision-making body of the WTO and is composed of representatives from all member countries. It meets every two years to make decisions on the organization's future direction and to discuss and negotiate trade-related issues.
- 2) The General Council. It meets several times a year in the Geneva headquarters, which is below the Ministerial Conference and typically consists of ambassadors and heads of delegation based in Geneva, though occasionally officials are sent from member capitals. The

¹ How the WTO Is Structured. www.wto.org/english/thewto_e/whatis_e/tif_e/organigram_e.pdf. Accessed 25 Apr. 2023.

² WTO. "WTO | the WTO in Brief." Wto.org, 2022, www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr_e.htm. Accessed 25 Apr. 2023.

General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body.

3) The Dispute Settlement Body. This is responsible for settling disputes between member countries that arise under the WTO agreements. It is composed of representatives from all member countries and operates independently from the other WTO bodies.

The WTO also has several subsidiary bodies that focus on specific areas of trade, such as agriculture, intellectual property, and services. These bodies are composed of representatives from member countries and are responsible for negotiating and implementing agreements related to their respective areas.

In addition to these bodies, the WTO has a Secretariat. With 620 employees and its headquarters in Geneva, the WTO Secretariat is run by a Director-General. Outside of Geneva, it has no branch offices. The Secretariat does not make decisions on its own; rather, the WTO's members make decisions. The Secretariat's primary responsibilities include providing technical assistance to developing economies, conducting trade analysis, communicating WTO activities to the general public and the media, and providing technical support to the various councils, committees, and ministerial conferences. Additionally, the Secretariat advises governments interested in joining the WTO and offers some legal assistance in the dispute resolution procedure. Members contribute an annual budget of about 197 million Swiss francs.³

³ WTO. "WTO | the WTO in Brief." Wto.org, 2022, www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr_e.htm. Accessed 25 Apr. 2023.

The WTO is a powerful intergovernmental organization that has significant influence over international trade. The WTO's overriding objective is to help trade flow smoothly, freely and predictably. It does this by:⁴

- 1) administering trade agreements;
- 2) acting as a forum for trade negotiations;
- 3) settling trade disputes;
- 4) reviewing national trade policies;
- 5) building the trade capacity of developing economies;
- 6) cooperating with other international organizations.

The WTO has significant power and influence over international trade. Its decisions can have a major impact on global trade and can affect the economies of individual countries. However, the WTO's power is limited by the fact that it operates on the basis of consensus among its member countries. This means that any decision or agreement must be approved by all member countries, which can sometimes make it difficult for the organization to take action on controversial trade issues.

1.2 Introduction to the Topic

Unfair trade continues to be a major issue in today's world. While international trade can be a powerful driver of economic growth and development, it can also be a source of inequality, exploitation, and environmental harm.

One of the main challenges associated with unfair trade is the **persistence of trade barriers**, such as tariffs, quotas, and regulations, that make it difficult for certain countries and groups

⁴ WTO. "WTO | the WTO in Brief." Wto.org, 2022, www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr_e.htm. Accessed 25 Apr. 2023.

to access global markets. **Tariffs** are one of the most common trade barriers, and they remain a significant challenge to global trade. Tariffs are taxes that are imposed on imported goods, and they can make foreign products more expensive and less competitive in domestic markets. This can limit the ability of companies in other countries to access these markets, and can lead to retaliatory measures that further restrict trade. **Quotas** are another form of trade barrier, and they involve placing limits on the quantity of certain goods that can be imported or exported. These quotas are often used to protect domestic producers from foreign competition, and they can be difficult to navigate for companies looking to trade across borders. **Regulations** are also a significant barrier to trade, as they can create additional costs and administrative burdens for companies operating in different countries. Regulations can include product standards, safety requirements, and environmental regulations, which can vary widely from country to country. This can make it difficult for companies to comply with these requirements and can limit their ability to trade in certain markets. These barriers can be particularly damaging for developing countries, which often lack the resources and infrastructure needed to compete in the global marketplace.

Another issue associated with unfair trade is the **exploitation of labor and environmental resources**. In many cases, companies in developed countries will outsource production to countries with weaker labor and environmental standards, in order to take advantage of lower costs. This can lead to poor working conditions, low wages, and environmental degradation in developing countries. In terms of labor exploitation, workers in developing countries may face unsafe working conditions, long working hours, and low wages. They may also lack the ability to organize and collectively bargain for better working conditions and wages. This can lead to a cycle of poverty and inequality, as workers are unable to earn enough to support themselves and their families. In terms of environmental exploitation, companies may

outsource production to countries with weaker environmental standards, leading to pollution, deforestation, and other forms of environmental degradation. This can have negative consequences for local communities and the environment, and can contribute to global environmental problems like climate change.

Unfair trade can have a range of **negative effects** on various stakeholders in the global economy, including:

- 1) **Workers**. Unfair trade can lead to poor working conditions, low wages, and exploitation of workers, particularly in developing countries. This can contribute to poverty, inequality, and a cycle of economic instability.
- 2) **Environment**. Unfair trade can lead to environmental degradation, particularly in developing countries where environmental regulations may be weak. This can contribute to climate change, loss of biodiversity, and other environmental problems.
- 3) **Small-scale farmers and producers**. Unfair trade can disadvantage small-scale farmers and producers, who may be marginalized and lack access to markets. This can lead to reduced incomes and economic instability.
- 4) **Consumers**. Unfair trade can lead to products being sold at artificially low prices, which can contribute to a race to the bottom in terms of product quality and safety.

In the current status, some countries were accused of unfair trade or openly violating policies signed by WTO. For example, the removal of Section 232 of the Trade Expansion Act of 1962-imposed US tariffs of 25% on imports of steel from the EU and 10% on imports of aluminum from the EU was announced by the United States and the European Union on October 31, 2021. In return, the EU would remove its own retaliatory tariffs on American goods and consent to restrict steel and aluminum shipments to the US. The deal will take

effect on January 1, 2022, and it will include imports into the US that happen on or after that date.⁵

Another example is the China-US trade war. In 2018, while the Trump administration was planning the initial rounds of tariffs on goods that would eventually total more than \$300 billion, China filed a lawsuit with the WTO. The case contested duties on commodities with an estimated \$200 billion in yearly commerce that was implemented in June and September of 2018.⁶

To address these challenges, there is a need for greater transparency and accountability in global trade, as well as a commitment to reducing trade barriers and promoting sustainable and responsible business practices. This may involve measures such as improving access to education and training, promoting green technologies and renewable energy, and supporting fair labor standards and environmental protections. It also requires political will and cooperation at the national and international levels, to ensure that the benefits of trade are shared more equitably and sustainably. All in all, due to the legal limitation of the WTO, more feasible and effective solutions should be discussed at the conference.

⁵ Richard Newcomb, et al. "US Lifts Section 232 Tariffs on Steel and Aluminum from the EU Effective January 1, 2022 – Continues Similar Negotiations with Japan | DLA Piper." Dlapiper.com, 2022, www.dlapiper.com/en-us/insights/publications/2021/11/us-lifts-section-232-tariffs-on-steel-and-aluminum-from-the-eu-effective-january-1-2022. Accessed 26 Apr. 2023.

⁶ BBC. "US China Tariffs Violated Trade Rules Says WTO." BBC News, 15 Sept. 2020, www.bbc.com/news/business-54168419. Accessed 26 Apr. 2023.

2. Current Situation and Past Action

2.1 Overview of Current Situation

2.1.1 Goods

2.1.1.1 Agriculture

Agricultural markets are at the heart of the development process. Food and agriculture markets expand consumers' choices and create incentives for farmers. Well-functioning markets and trade enable the optimal allocation of resources, diffuse knowledge and technologies, and provide avenues that link agriculture with other sectors of the economy. Thus, the market mechanism is crucial for the structural transformation of the economy and for growth and development. Markets are vital to improving the livelihoods of millions of people and can provide additional benefits, such as contributing to food security by ensuring that food moves from surplus to deficit area.

The role of well-functioning markets, both global and domestic, is significant in driving economic growth. However, in some cases, markets may not reconcile the interests of individuals with those of society as a whole. Markets may result in negative environmental outcomes or may fail to address social objectives, such as reducing inequality. Such environmental and social benefits are central to the 2030 Agenda for Sustainable Development.⁷

Although WTO had reached an agreement on Agriculture in 1995, agro-food products overall face higher trade barriers than industrial goods. Tariffs applied to agricultural products are on average three times higher than for industrial goods. Agro-food products are also more likely

⁷"Markets and Trade." <https://www.fao.org/Markets-And-Trade/Areas-of-Work/Emerging-Trends-Challenges-And-Opportunities/Agricultural-Markets-And-Development/En/>, 2022, www.fao.org/markets-and-trade/areas-of-work/emerging-trends-challenges-and-opportunities/agricultural-markets-and-development/en/. Accessed 26 Apr. 2023.

to face non-tariff measures. These include quotas (banned for other products) as well as regulations which, while aimed at legitimate public policy objectives, can nonetheless sometimes be more trade restrictive than necessary to achieve that objective. Support to agricultural producers remains high, with over two thirds provided via measures that distort production and trade strongly. There is significant scope for reform of agricultural markets and trade, with considerable gains from even partial reform.⁸

At present, the international market prices of wheat and corn continue to rise, and the futures market prices have soared.⁹ Due to factors such as the global epidemic, inflation, and weather, the prices of soybeans, corn, wheat, and other commodities have been at their highest levels in nearly a decade internationally. The conflict between Russia-Ukraine conflict may damage the agricultural production zones of the two countries in the short term, affect the transportation routes of global food in the Black Sea ports, change the international import and export pattern of related agricultural products, and further increase the international food prices.

High prices are an important signal to producers to plant more crops. The timing of the conflict in Ukraine poses challenges as far as the Northern Hemisphere's winter wheat production response since the crop was planted several months ago and will be harvested within a few months. High prices may spur additional plantings of spring wheat in the Northern Hemisphere or of winter wheat in the Southern Hemisphere.

Ukraine's main export window for corn is from October to May of the following year, and the next few months will be the main export window for corn. Russia has imposed crackdowns

⁸ World Trade Organization. "WTO | Agriculture - Gateway." Wto.org, 2015, www.wto.org/english/tratop_e/agric_e/agric_e.htm. Accessed 26 Apr. 2023.

⁹ "International Prices | Food Price Monitoring and Analysis (FPMA) | Food and Agriculture Organization of the United Nations." Wwww.fao.org, 2021, www.fao.org/giews/food-prices/international-prices/en/. Accessed 26 Apr. 2023.

on Ukraine's main ports and imposed sea blockades, greatly affecting Ukraine's corn exports, leading to global corn supply shortages and rising corn prices.

Currently, governments face multiple challenges to sustainably manage marine natural resources. Effects of habitat degradation, overfishing, pollution and climate change are exacerbated by the growing capacity of fishing vessels, including high-efficiency fleets. These are magnified by the distortive effects of public fisheries support, the insufficient availability of scientific data and the weak enforcement of ocean governance. This combination of challenges calls for a profound transformation of the fisheries sector to align it with the 2030 Agenda for Sustainable Development.

The WTO Agreement on Fisheries Subsidies, adopted at the 12th Ministerial Conference (MC12) on 17 June 2022, although behind the original deadline of 2020, marks a major step forward for ocean sustainability by prohibiting harmful fisheries subsidies, which are a key factor in the widespread depletion of the world's fish stocks. The Agreement represents a historic achievement for the membership as the first Sustainable Development Goal (SDG) target to be fully met, the first SDG target met through a multilateral agreement, the first WTO agreement to focus on the environment, the first broad, binding, multilateral agreement on ocean sustainability, and only the second agreement reached at the WTO since its inception.¹⁰

Fisheries support estimates for 39 countries assessed by the Organisation for Economic Co-operation and Development (OECD) averaged \$12 billion per year between 2012 and 2014, before declining by 20%, to \$9.4 billion per year for the 2015-2018 period. However,

10 "Fisheries Subsidies Deal: Why We Need It and How to Implement It | UNCTAD." Unctad.org, 28 Mar. 2022, unctad.org/news/blog-fisheries-subsidies-deal-why-we-need-it-and-how-implement-it. Accessed 26 Apr. 2023.

fisheries support has been on an upward trend since 2016. This is a worrisome trend that will worsen if a stalemate in the WTO fisheries subsidies negotiations persists.¹¹

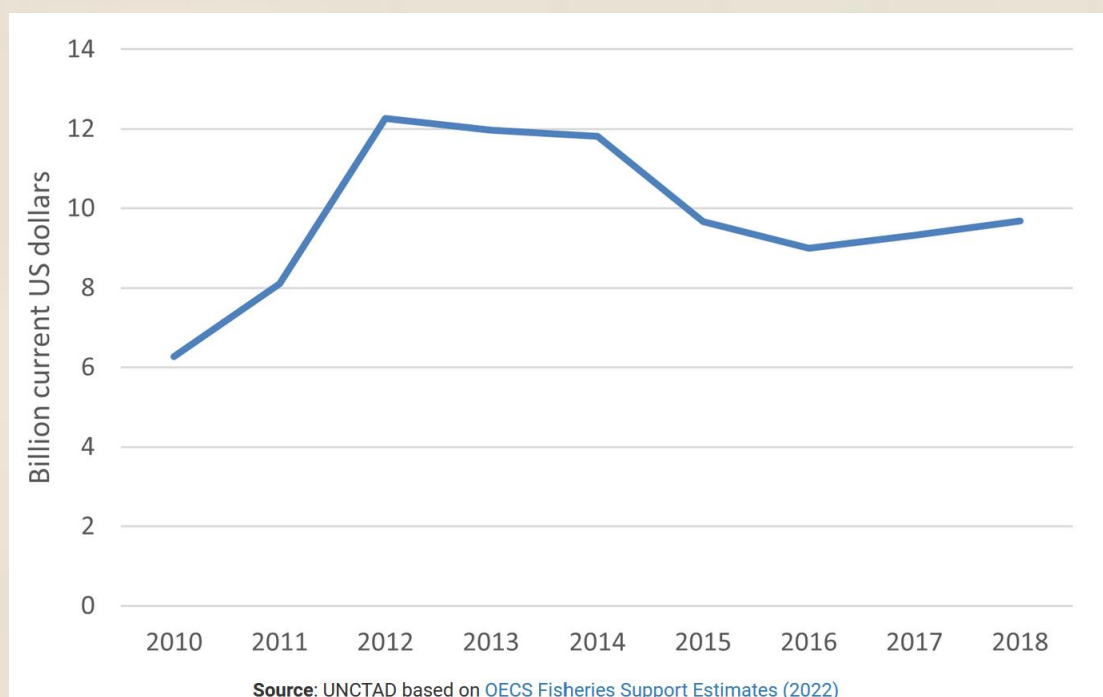


Figure 2¹² Estimate of fisheries support by OECD members and selected countries, 2010-2018

2.1.1.2 Digital Production

Currently, there are serious issues on the trade of some high-end electronic products such as chips, technology of AI or 5G, which affected the global trade. The conflicts of chip rank first. The global semiconductor industry has been rocked by trade restrictions that threaten to upend longstanding supply chains and exacerbate geopolitical tensions between the United States and China.

¹¹ OECD, "Fisheries: Fisheries Support Estimates (Edition 2021)." OECD ILibrary, 2022, www.oecd-ilibrary.org/agriculture-and-food/data/oecd-agriculture-statistics/fisheries-fisheries-support-estimates-edition-2021_6644d683-en. Accessed 26 Apr. 2023.

¹² "Fisheries Subsidies Deal: Why We Need It and How to Implement It | UNCTAD." Unctad.org, 28 Mar. 2022, unctad.org/news/blog-fisheries-subsidies-deal-why-we-need-it-and-how-implement-it. Accessed 26 Apr. 2023.

President Biden signed the bipartisan Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 to tackle some of the biggest manufacturing and innovation challenges of our time. The Act will invest \$50 billion through the Department of Commerce's CHIPS for America Fund to revitalize the domestic semiconductor industry, protect American national and economic security, preserve U.S. leadership in the industries of the future, create good-paying jobs, and build strong communities here in the United States. The step is being taken to bring a pause in the Chinese tech sector and innovative ecosystems, as the Biden administration considers further advances in Chinese semiconductor technology, as counter to US national interests.¹³

As the U.S., Taiwan, Japan and the Netherlands move to block exports of certain chip-making materials to China, the world's most populous nation and a growing player in the high-tech industry, questions abound about the impact of these restrictions on innovation, security, and the future of the global tech landscape.

As controls are not uncommon and are typically imposed in the aerospace and defense industries. Still, these latest measures may be particularly effective due to the uniquely specialized roles key players in the supply chain hold. Also, semiconductors are highly relevant to military capabilities, as many interconnected vehicles, artillery, and weapon systems heavily rely on processing and memory chips.¹⁴

As in any industry, value creation varies by product category, so changes in some segments could have a greater impact than others. For instance, memory has been the most profitable

¹³ House, The White. "FACT SHEET: President Biden Signs Executive Order to Implement the CHIPS and Science Act of 2022." The White House, 25 Aug. 2022, www.whitehouse.gov/briefing-room/statements-releases/2022/08/25/fact-sheet-president-biden-signs-executive-order-to-implement-the-chips-and-science-act-of-2022/. Accessed 26 Apr. 2023.

¹⁴ Magubane, Nathi, and University of Pennsylvania. "Major Players Block China's Access to Advanced Chip Materials for Developing AI." Techxplore.com, 20 Apr. 2023, techxplore.com/news/2023-04-major-players-block-china-access.html. Accessed 26 Apr. 2023.

segment, followed by fabless companies that design their own chips but outsource their manufacture. Some regional variations are also obvious. North America, home to some of the largest fabless players, accounted for approximately 60% of the global semiconductor value pool during the 2015-19 period. Europe accounted for 4% of the industry's total economic profit, which accrued primarily to capital-equipment companies. Asia, still the hub for contract chip manufacturing, accounted for the remaining 36%. With this geographic spread, value creation within the semiconductor industry can affect economies worldwide.¹⁵

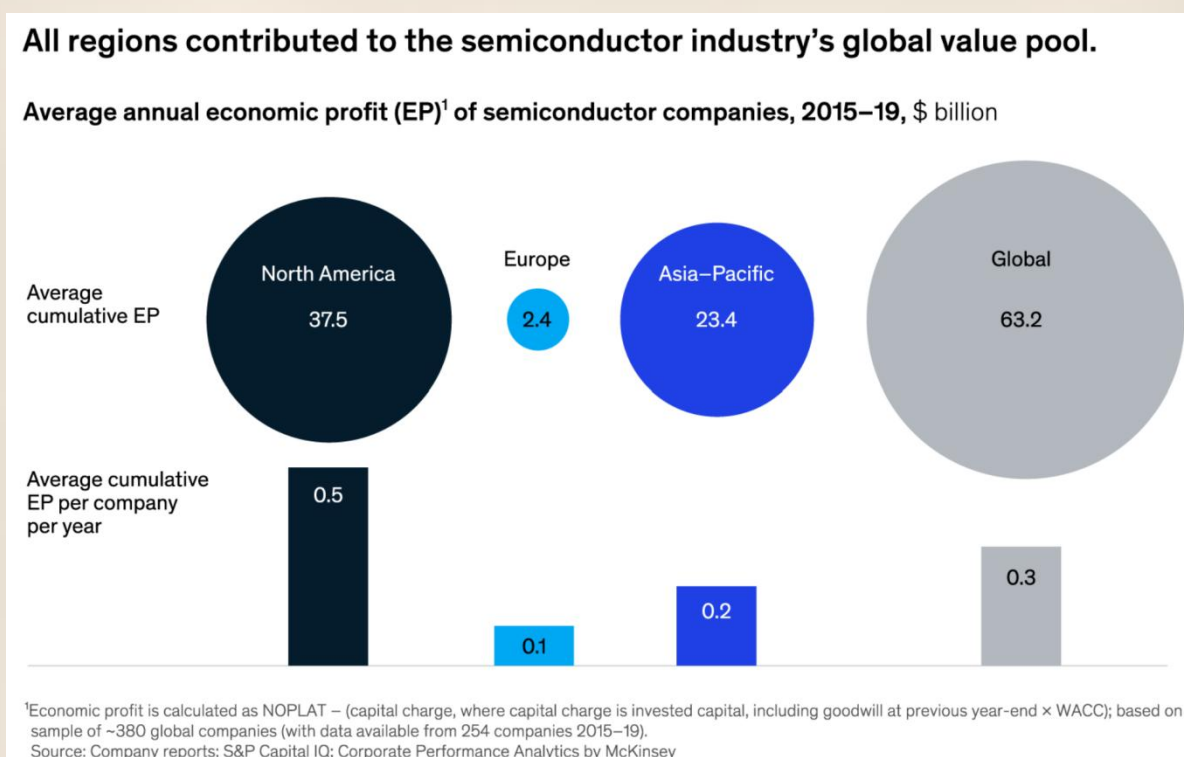


Figure 3¹⁶ All regions contributed to the semiconductor industry's global value pool

China accused the United States of setting up a large number of prohibited subsidies that favor “American products” under the Inflation Reduction Act. The accuse was based on the Agreement on Subsidies and Countervailing Measures, which includes general provisions,

¹⁵ “When the Chips Are down - et Edge Insights.” INSIGHTS, 13 Feb. 2022, etinsights.et-edge.com/when-the-chips-are-down/. Accessed 26 Apr. 2023.

¹⁶ Burkacky, Ondrej, et al. “Value Creation: How Can the Semiconductor Industry Keep Outperforming?” | McKinsey.” [www.mckinsey.com, 15 Oct. 2021, www.mckinsey.com/industries/semiconductors/our-insights/value-creation-how-can-the-semiconductor-industry-keep-outperforming](https://www.mckinsey.com/industries/semiconductors/our-insights/value-creation-how-can-the-semiconductor-industry-keep-outperforming). Accessed 26 Apr. 2023.

prohibited subsidies, actionable subsidies, non-actionable subsidies, countervailing measures, institutions, notifications and supervision, developing country members, transitional arrangements, dispute resolution, and final clauses. The agreement provides a clear definition of subsidies, dividing them into prohibited subsidies, actionable subsidies, and non-actionable subsidies, and stipulates the investigation procedures for countervailing measures. The agreement stipulates that the relief measures for countervailing measures can adopt a dual track system: firstly, relief can be directly obtained through the World Trade Organization dispute resolution mechanism; The second is to obtain relief through the procedures of the country's countervailing measures and the collection of countervailing duties. The dispute resolution procedure and countervailing measures can be referred to in parallel, that is, they can be carried out simultaneously in the procedure, but relief measures can only take one form. The purpose of the agreement is to regulate the implementation of subsidies and countervailing measures by all members.¹⁷

2.1.1.3 Tariffs

Tariff is a tax charged on goods or services as they move from one country to another. You may also see them referred to as a “customs duty,” as the term is often used interchangeably with “tariff.” Tariffs are typically charged by the country importing the goods. They serve two purposes: economically, they generate revenue for the importing country and protect home-based industries producing those same goods. Some tariffs, called protective tariffs, charge a higher tax on imported goods so the domestically produced versions of the same goods can be sold at a more competitive price.¹⁸

¹⁷ “WTO | Subsidies and Countervailing Measures - Gateway.” Wto.org, 2015, www.wto.org/english/tratop_e/scm_e/scm_e.htm. Accessed 26 Apr. 2023.

¹⁸ Kenton, Will. “Tariff.” Investopedia, 9 May 2019, www.investopedia.com/terms/t/tariff.asp. Accessed 26 Apr. 2023.

Tariffs are used to restrict imports. Simply put, they increase the price of goods and services purchased from another country, making them less attractive to domestic consumers. However, if the consumer still chooses the imported product, then the tariff has essentially raised the cost to the consumer in another country.

There are two types of tariffs:¹⁹

- 1) A specific tariff is levied as a fixed fee based on the type of item, such as a \$500 tariff on a car.
- 2) An ad-valorem tariff is levied based on the item's value, such as 5% of an import's value.

Tariffs plays an important role in the development of the country, not only by raising revenues, protecting domestic industries, protecting domestic consumers and protecting national interests, while the unintended side effects cannot be ignored, for they would make domestic industries less efficient and innovative by reducing competition or hurt domestic consumers since a lack of competition tends to push up prices. A typical response for a country with tariffs imposed on it is to respond similarly, creating a trade war in which neither country benefits from the other.

The General Agreement on Tariffs and Trade (GATT), which entered into force in 1948, is a multilateral international agreement on tariffs and trade rules concluded among governments, referred to as General Agreement on Tariffs and Trade for short. Its purpose is to reduce tariffs and other trade barriers, eliminate differential treatment in international trade, promote international trade liberalization, fully utilize world resources, and expand the production and circulation of goods. GATT is the predecessor and foundation of the WTO, providing strict

¹⁹ Bernstein, Jacob. "What Are Tariffs and How Do They Affect You?" Investopedia, 21 Aug. 2019, www.investopedia.com/news/what-are-tariffs-and-how-do-they-affect-you/. Accessed 26 Apr. 2023.

explanations and regulations on trade and import and export tariffs among member countries.²⁰

2.1.2 Service

Services are a major part of the global economy, generating more than two-thirds of global gross domestic product (GDP), attracting over three-quarters of foreign direct investment in advanced economies, employing the most workers, and creating most new jobs globally. Services have always been traded. International transportation is as old as trade itself, and financial and insurance services followed shortly after.

The trade behavior of a legal or natural person of a country providing services within its territory or entering the territory of another country. According to the General Agreement on Trade in Services signed by the WTO in 1994, there are four modes of provision for trade in services:

- 1) Cross-border delivery refers to the way in which a service provider provides services to consumers within the territory of one member to consumers within the territory of another member, such as providing services to foreign consumers outside China through telecommunications, postal services, computer networks, and other means within China;
- 2) Overseas consumption refers to the way in which a service provider provides services to consumers from another member within the territory of one member, such as Chinese citizens enjoying medical services abroad during their short-term stay in other countries;
- 3) Commercial presence refers to the way in which a service provider of one member establishes a commercial institution in the territory of another member to provide services to

20 The Editors of Encyclopædia Britannica. "General Agreement on Tariffs and Trade | International Relations." Encyclopædia Britannica, 26 Mar. 2018, www.britannica.com/topic/General-Agreement-on-Tariffs-and-Trade. Accessed 26 Apr. 2023.

consumers in the latter's territory, such as the establishment of a company in China by a foreign service enterprise to provide services to Chinese enterprises or individuals;

4) Natural person mobility refers to the way in which a service provider of one member enters the territory of another member as a natural person to provide services, such as a foreign lawyer serving as a representative of a foreign law firm in China to provide services to consumers.²¹

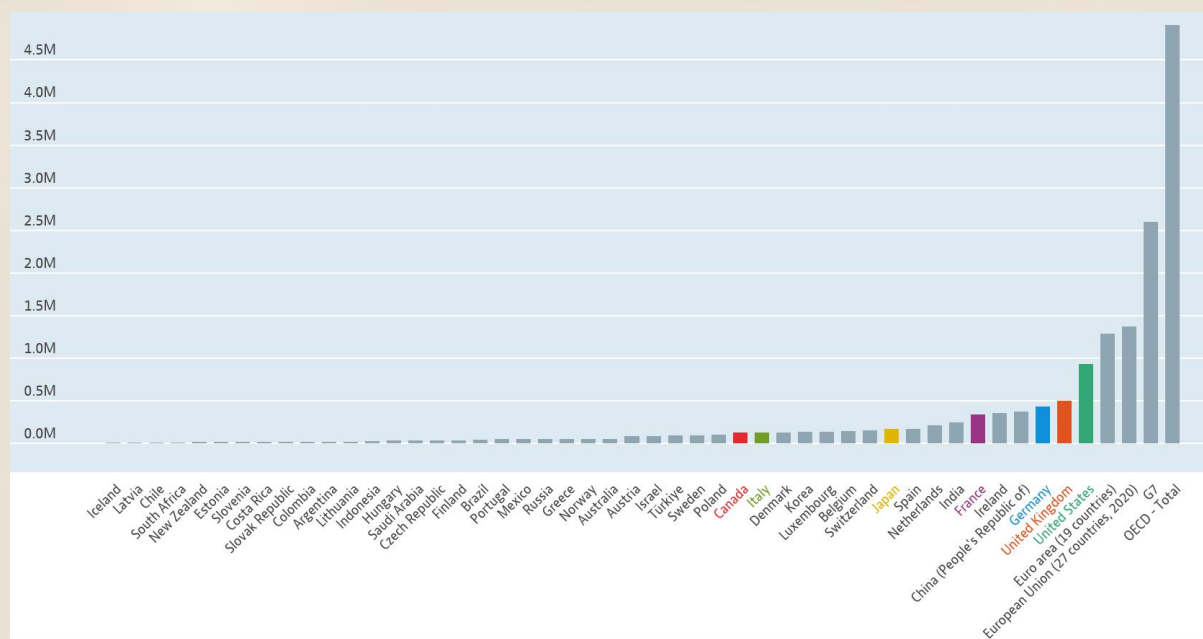


Figure 4²² Statistics of Trade in Services

Trade in services is also vital to a country's economic health. The international exchange of ideas, expertise and assistance – from architecture and law to logistics and telecommunications – accounts for half of all global exports and two-thirds of global GDP. For that reason, they are vulnerable to political manipulation to protect particular domestic industries or to put pressure on other nations. The threat of non-tariff barriers – which include

21 "WTO | Services: Movement of Natural Persons." www.wto.org/english/tratop_e/serv_e/mouvement_persons_e/mouvement_persons_e.htm. Accessed 26 Apr. 2023.

22 "International Trade - Trade in Services - OECD Data." [TheOECD, data.oecd.org/trade/trade-in-services.htm](https://data.oecd.org/trade/trade-in-services.htm). Accessed 26 Apr. 2023.

quotas on imports and subsidies to make local producers more competitive than foreign imports – and tariffs can change patterns of trade.²³

2.1.3 Intellectual Property

Intellectual property is a broad categorical description for the set of intangible assets owned and legally protected by a company or individual from outside use or implementation without consent. An intangible asset is a non-physical asset that a company or person owns.²⁴

Companies are diligent when it comes to identifying and protecting intellectual property because it holds such high value in today's increasingly knowledge-based economy. Also, producing value intellectual property requires heavy investments in brainpower and time of skilled labor. This translates into heavy investments by organizations and individuals that should not be accessed with no rights by others.

Extracting value from intellectual property and preventing others from deriving value from it is an important responsibility for any company. Intellectual property can take many forms. Although it's an intangible asset, intellectual property can be far more valuable than a company's physical assets. Intellectual property can represent a competitive advantage and as a result, is fiercely guarded and protected by the companies that own the property.²⁵

TRIPS came into force in 1995, as part of the agreement that established the WTO. TRIPS establishes minimum standards for the availability, scope, and use of seven forms of intellectual property namely, trademarks, copyrights, geographical indications, patents,

²³ "International Trade in Services Statistics - OECD." www.oecd.org/sdd/its/international-trade-in-services-statistics.htm. Accessed 26 Apr. 2023.

²⁴ "What Is Intellectual Property, and What Are Some Types?" Investopedia, 27 July 2022, www.investopedia.com/terms/i/intellectualproperty.asp#:~:text=Intellectual%20property%20is%20an%20umbrella%20term%20for%20a. Accessed 26 Apr. 2023.

²⁵ Stjepandić, Josip, et al. "Intellectual Property Protection." *Concurrent Engineering in the 21st Century*, 2015, pp. 521–51, https://doi.org/10.1007/978-3-319-13776-6_18. Accessed 26 Apr. 2023.

industrial designs, layout designs for integrated circuits, and undisclosed information or trade secrets. TRIPS Agreement lays down the permissible exceptions and limitations for balancing the interests of intellectual property with the interests of public health and economic development. It frames the IP system in terms of innovation, technology transfer and public welfare.²⁶

The Paris Convention, adopted in 1883, applies to industrial property in the widest sense, including patents, trademarks, industrial designs, utility models, service marks, trade names, geographical indications and the repression of unfair competition. This international agreement was the first major step taken to help creators ensure that their intellectual works were protected in other countries. Due to conflicts of interest and legislative differences among member states, the Paris Convention did not establish a unified industrial property law, but instead protected it based on the domestic legislation of each member state. Therefore, it did not exclude the territorial validity of patent rights. The convention not only respects the domestic legislation of each member, but also sets out several basic principles that each member state must jointly abide by, in order to coordinate the legislation of each member state and make it consistent with the provisions of the convention.²⁷

The Berne Convention, adopted in 1886, deals with the protection of works and the rights of their authors. It provides creators such as authors, musicians, poets, painters etc. with the means to control how their works are used, by whom, and on what terms. It is based on three basic principles and contains a series of provisions determining the minimum protection to be

²⁶ "Trade Related Aspects of IP Rights." www.uspto.gov, www.uspto.gov/ip-policy/patent-policy/trade-related-aspects-ip-rights. Accessed 26 Apr. 2023.

²⁷ "Paris Convention for the Protection of Industrial Property." wipo.int, 2019, www.wipo.int/treaties/en/ip/paris/. Accessed 26 Apr. 2023.

granted, as well as special provisions available to developing countries that want to make use of them.²⁸

2.2 Past Action

In the past decades, except for the measures mentioned above, the WTO had already set up a series of laws on trade, including agreements on Trade liberalization, standardization of non-tariff measures, fair competition and remedies, aiming at promoting the fairness of international trade.

The Anti-dumping Agreement is a multilateral trade agreement under the jurisdiction of the World Trade Organization, which is modified and supplemented on the basis of the Anti-dumping Code of the General Agreement on Tariffs and Trade Tokyo Round. The agreement confirmed that a product is considered to be "dumped" if it is exported to another country at a price below the normal price of a like product in the exporting country. Anti-dumping measures are unilateral remedies that the government of the importing country may apply after a thorough investigation has determined that the product is, in fact, being dumped, and that sales of the dumped product are causing material injury to a domestic industry that produces a like product.²⁹

The Agreement on Safeguards sets forth the rules for the application of safeguard measures pursuant to Article XIX of GATT 1994. Safeguard measures are defined as "emergency" actions with respect to increased imports of particular products, where such imports have caused or threaten to cause serious injury to the importing Member's domestic industry. Safeguard measures are defined as "emergency" actions with respect to increased

28 WIPO. "Berne Convention for the Protection of Literary and Artistic Works." Wipo.int, 2019, www.wipo.int/treaties/en/ip/berne/. Accessed 26 Apr. 2023.

29 279. "Trade Guide Anti-Dumping." Www.trade.gov, 2023, www.trade.gov/trade-guide-anti-dumping. Accessed 26 Apr. 2023.

imports of particular products, where such imports have caused or threaten to cause serious injury to the importing Member's domestic industry. Such measures, which in broad terms take the form of suspension of concessions or obligations, can consist of quantitative import restrictions or of duty increases to higher than bound rates.³⁰

Customs valuation is a customs procedure applied to determine the customs value of imported goods. If the rate of duty is ad valorem, the customs value is essential to determine the duty to be paid on an imported good. In case of a specific duty, a concrete sum is charged for a quantitative description of the good, for example USD 1 per item or per unit. The customs value of the good does not need to be determined, as the duty is not based on the value of the good but on other criteria. In this case, no rules on customs valuation are needed and the Valuation Agreement does not apply. In contrast, an ad valorem duty depends on the value of a good. Under this system, the customs valuation is multiplied by an ad valorem rate of duty (e.g., 5 per cent) in order to arrive at the amount of duty payable on an imported item.³¹

The Agreement on technical barriers to trade is a multilateral trade agreement under the jurisdiction of the World Trade Organization, which is modified and supplemented on the basis of the agreement of the same name in the General Agreement on Tariffs and Trade Tokyo Round. It consists of a preface, 15 articles, and 3 attachments. The main clauses including General Provisions, Technical Regulations and Standards, Compliance with Technical Regulations and Standards, Information and Assistance, Institutions, Consultation and Dispute Resolution, and Final Provisions. The TBT Agreement strongly encourages members to base their measures on international standards as a means to facilitate trade.

³⁰ "WTO | Trade Topics - the Agreement on Safeguards." www.wto.org/english/tratop_e/safeg_e/safeint_e.htm. Accessed 26 Apr. 2023.

³¹ 279. "Trade Guide: Customs Valuation." www.trade.gov, 2023, www.trade.gov/trade-guide-customs-valuation. Accessed 26 Apr. 2023.

Through its transparency provisions, it also aims to create a predictable trading environment.³²

32 ---, "WTO | Technical Barriers to Trade." Wto.org, 2019, www.wto.org/english/tratop_e/tbt_e/tbt_e.htm. Accessed 26 Apr. 2023.

3. Case Study

3.1 Fair Trade Conditions in the United States

3.1.1 Overview of American Policy

The United States is one of the world's largest economies and most influential members of the World Trade Organization (WTO). The country has a history of advocating free trade, which has increased economic growth and promoted the fair trade globally. However, through it still a supporter of global trade liberalization and plays a leading role in multilateral trade agreements, the country's rising protectionism policies have raised wide range of concerns, particularly its bursting uses of tariffs.

While the US has implemented policies that protect both locals and foreigners in the global market, it is obvious that a greater emphasis is placed on protecting its domestic industries, particularly in agriculture and manufacturing. The US government struggles to maintain a balance between open trade and protectionism that can both protect the interests of American workers or businesses and maintain its economic influence.

3.1.2 Previous Free Trade Advocator

The US has a long history of advocating free trade. In the late 20th century, the country began to shift its manufacturing sector to developing countries, seeking cheaper labor and resources to produce goods more efficiently. At the same time, the US started to promote free trade between countries, believing it would benefit both developed and developing countries. According to International Trade Administration, 6 out of 14 free trade agreements of US are signed in this period.³³

33 International Trade Administration. "Free Trade Agreements | International Trade Administration." www.trade.gov, www.trade.gov/free-trade-agreements. Accessed 28 Apr. 2023.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.09588	0.553126	-18.25239	0.0000
EXPORT	0.079788	0.106455	0.749494	0.0452
IMPORT	0.858587	0.113299	7.578041	0.0000
EXCHANGE_RATE	-0.073673	0.058344	-1.262728	0.0260

Figure 5³⁴ Influence of Trade on Economic Growth in Developing Country

More importantly, the US started to play a key role in promoting and negotiating various international trade agreements, including the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), and then the WTO. These agreements have contributed to an increase in global economic growth by promoting trading and have helped to reduce poverty and promote development in developing countries (e.g., a unit increase in export in developing countries will lead to 0.08 units rise in GDP, as shown in the Figure 5), which in turn, boosted the development of fair trade.

3.1.3 Dumping and Tariff

But increasing of trading not always good news. A disadvantage of “free trade” for developing countries is dumping. Joining a free trade agreement dominated by giants like America sometimes means great damages to domestic industry. In the first several years of the signing of the NAFTA, the scale of crops export from America to Mexico increased by 400%, and a quart of agricultural population in Mexico shifted their career.³⁵

34 Okenna, Nwabueze Prince, and Babatunde Moses Adesanya. “International Trade and the Economies of Developing Countries.” *American International Journal of Multidisciplinary Scientific Research*, vol. 6, no. 2, Sept. 2020, pp. 31–39, <https://doi.org/10.46281/aijmsr.v6i2.747>. Accessed 28 Apr. 2023.

35 Murphy, Sophia, and Karen Hansen-Kuhn. “The True Costs of US Agricultural Dumping.” *Renewable Agriculture and Food Systems*, Apr. 2019, pp. 1–15, <https://doi.org/10.1017/s1742170519000097>. Accessed 28 Apr. 2023.

Year	Farmer Production Costs (US\$/Bu)	Govt Support Costs (US\$/Bu)	Transportation and Handling (US\$/Bu)	Full Cost (\$/Bu)	Export Price (\$/Bu)	Percent of Export Dumping (%)
2005	5.20	0.06	0.86	6.12	4.40	28
2006	6.53	0.30	0.90	7.73	5.52	29
2007	6.20	0.24	0.72	7.16	7.03	2
2008	6.72	0.37	0.94	8.03	8.88	-11
2009	6.58	0.73	1.24	8.55	6.51	24
2010	5.68	0.37	1.36	7.41	6.72	9
2011	7.65	0.57	1.46	9.68	9.07	6
2012	6.89	0.50	1.44	8.83	8.96	-1
2013	8.02	0.61	1.50	10.14	8.76	14
2014	8.57	0.45	1.69	10.72	8.31	23
2015	7.73	0.39	1.30	9.43	6.40	32
2016	5.89	0.39	1.57	7.86	5.47	30
2017	7.34	0.36	2.14	9.85	6.12	38

Figure 6³⁶ The Cost of Wheat and The Export Price

More importantly, the distorted subsidy of American government is worsening the situation. The subsidy stimulated the overproduction of farmers, and the additional agriculture products were sold to international market with a price lower than expense, hurting the profits of both sides. Through Brazil succeeded in accusing and lowering down American cotton subsidy, the general subsidy amounts are still increasing, and this also exacerbate the annex of agriculture firms in America.

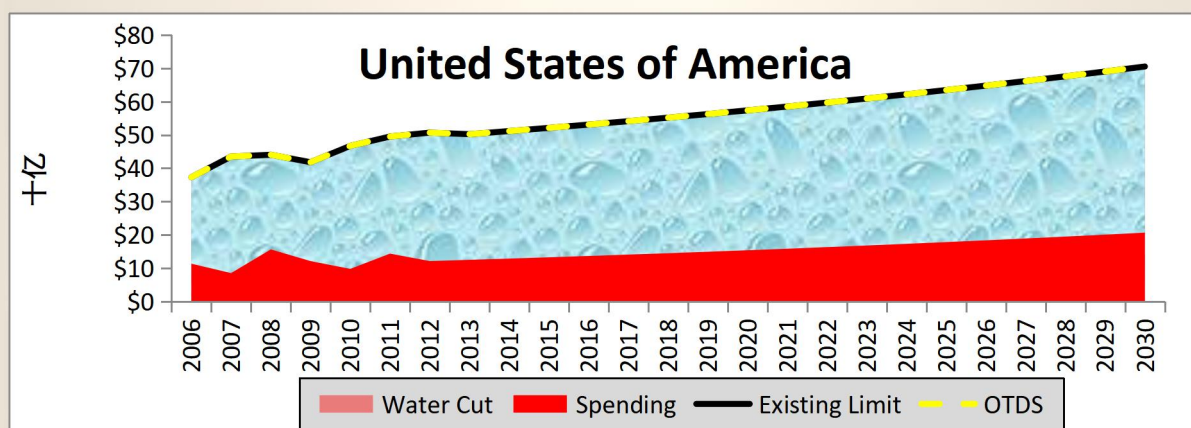


Figure 7³⁷ Overall Trade Distorting Support (OTDS), US

36 Murphy, Sophia, and Karen Hansen-Kuhn. "The True Costs of US Agricultural Dumping." Renewable Agriculture and Food Systems, Apr. 2019, pp. 1–15, <https://doi.org/10.1017/s1742170519000097>. Accessed 28 Apr. 2023.

37 Trade, corporate Name= Department of Foreign Affairs and. "Australian Consulate-General In." Geneva.mission.gov.au, geneva.mission.gov.au/gene/AgriculturalTradeDistortingSupportCalculator.html. Accessed 28 Apr. 2023.

Imports from	Products	Tariffs in %	Status	Volume of imports affected
All trading partners	Washing machines and solar panels	20–30%	Implemented (Jan 2018)	USD 10.3 billion
				(0.44% of total US imports)
Exemptions for countries with voluntary export limits)	Steel and aluminum	25% and 10%	Implemented (Mar 2018)	USD 47 billion
				(2.0% of total US imports)
China	A total of 1,333 Chinese goods	25%	Implemented (Mar 2018)	USD 50 billion
				(2.1% of total US imports)
All trading partners	Cars and auto parts	25%	Under consideration	USD 208 billion (excluding parts)
				(8.88% of total US imports)
China	Not specified	10%	Under consideration or preparation	Up to USD 500 billion
				(21.3% of total US imports)

Figure 8 American Tariff Applied in 2018

Recently the US was also criticized for its surging protectionism tendency. This tendency was featured by its withdrawal from the Trans-Pacific Partnership (TPP) and its imposition of

large amounts of tariffs on goods from China, Canada, Mexico, and even the traditional allies, which have caused tensions and disruptions in the global trading system. Countries have retaliated with their own tariffs, causing further economic turmoil and uncertainty.

In addition, the US's refusal to ratify the Doha Development Round of negotiations has also been viewed as a lack of commitment to helping developing countries. These negotiations were aimed at reducing trade barriers and promoting the development of least-developed countries, and have been discussed for years.

3.1.4 Summary

In summary, the United States once played a key role in advocating and promoting free trade globally. However, the country's current protectionism policies and actions have been viewed as unfair for developing countries. While the US has the right and need to protect its domestic productions, there is still much room for improvement in policy to create a more equitable and fair trading system that benefits all countries.

3.2 Fair Trade Conditions in China

3.2.1 Overview of Chinese Policy

China is one of the world's largest economies and a member of the World Trade Organization (WTO). In recent years, the country has experienced significant economic growth and development. China's trade policy is based on the principles of fair trade, mutual benefit, and cooperation. The Chinese government seeks to maintain a balance between open trade and domestic interest by implementing policies that protect the interests of both domestic and foreign companies.

China has taken an active role in promoting fair trade globally through initiatives such as the Belt and Road Initiative and several programs aimed at promoting sustainable development and social responsibility. Domestically, minimum price policies for agricultural products and subsidies for small producers have helped promote fair trade. However, concerns remain about the fairness of trade within China, particularly state-owned enterprises receiving preferential treatment.

3.2.2 Domestic Situation

Unlike the other two subjects, China is still considered a developing country. However, China has implemented several policies that have helped to promote fair trade domestically, including minimum price policies for agricultural products and subsidies for small producers. These policies have helped ensure the interest of farmers, while also promoting agriculture upgrading and reducing reliance on imports.

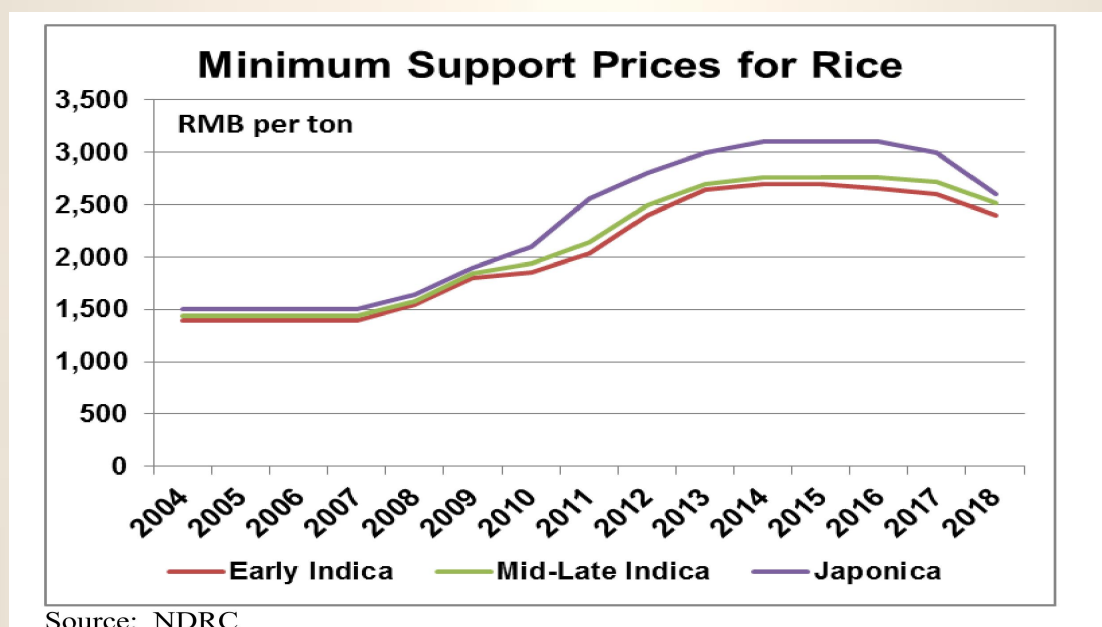


Figure 9³⁸ Minimum Support Prices for Rice in China

38 Kim, Gene. THIS REPORT CONTAINS ASSESSMENTS of COMMODITY and TRADE ISSUES MADE by USDA STAFF and NOT NECESSARILY STATEMENTS of OFFICIAL U.S. GOVERNMENT POLICY Date: GAIN Report Number: Approved By: Prepared By: 4 Apr. 2018,

However, there are concerns about the fairness of trade within China. Some experts claim that state-owned enterprises receive preferential treatment from the government, which gives them an unfair advantage over private businesses, and some country claims that the subsidy of China is distorting the market.

3.2.3 Global Investment

China has taken an active role in promoting fair trade globally. The country has launched several initiatives aimed at increasing trade with other countries while also promoting environmental sustainability and social responsibility.

One of China's most significant initiatives is the Belt and Road Initiative (BRI), which aims to promote trade and economic cooperation between China and other countries in Asia, Europe, Africa, and the Middle East. The BRI has the potential to increase economic growth³⁹ and improve living standards in developing countries across the region.

According to Word Bank, if the initiatives success, it could increase total trade among BRI economies by 4.1 percent. The facilitation of transportation might bring even greater benefits: Central & Western Asia and the Middle East & North Africa can expect trade increase by 16.6% and 12.4% respectively, Western Asia will expect trade increases ranging between 6.9% and 8.9%, this is especially important for agriculture.

apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Grain%20and%20Feed%20Annual_Beijing_China%20-%20Peoples%20Republic%20of_4-3-2018.pdf. Accessed 28 Apr. 2023.

39 Rochasuprabha, Nadia, and Michele Ruta. "Hurry Up! How the Belt and Road Initiative Changes Trade Times and Trade." Blogs.worldbank.org, 28 Jan. 2019, blogs.worldbank.org/trade/hurry-how-belt-and-road-initiative-changes-trade-times-and-trade. Accessed 28 Apr. 2023.

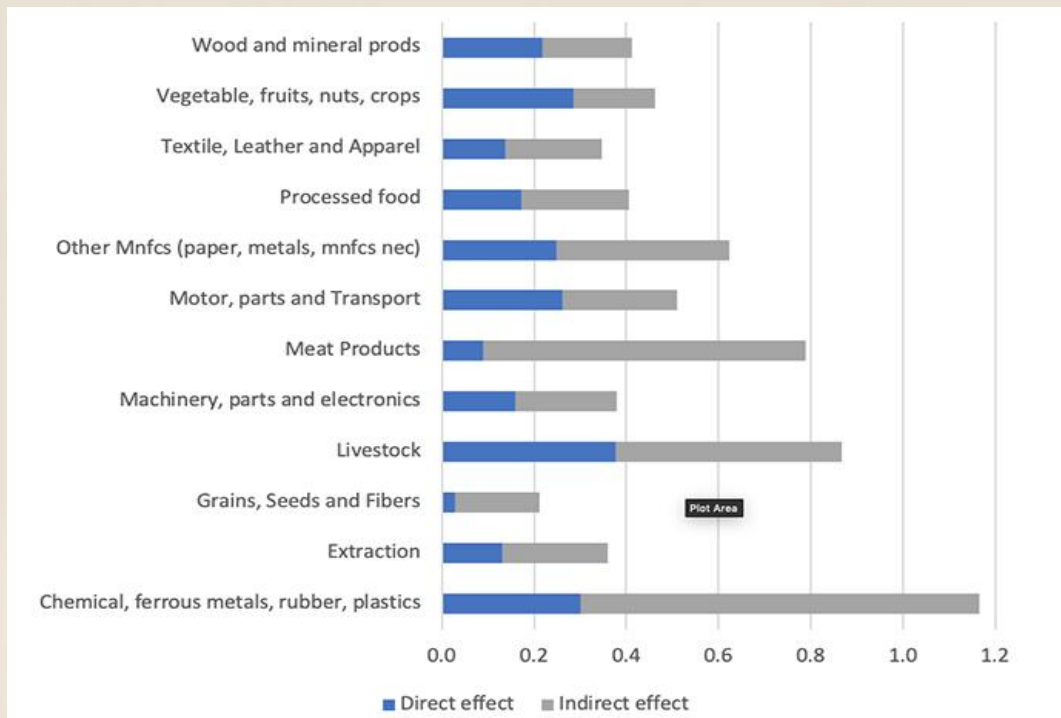


Figure 10⁴⁰ Time-Sensitive Degree of Different Products in Trade

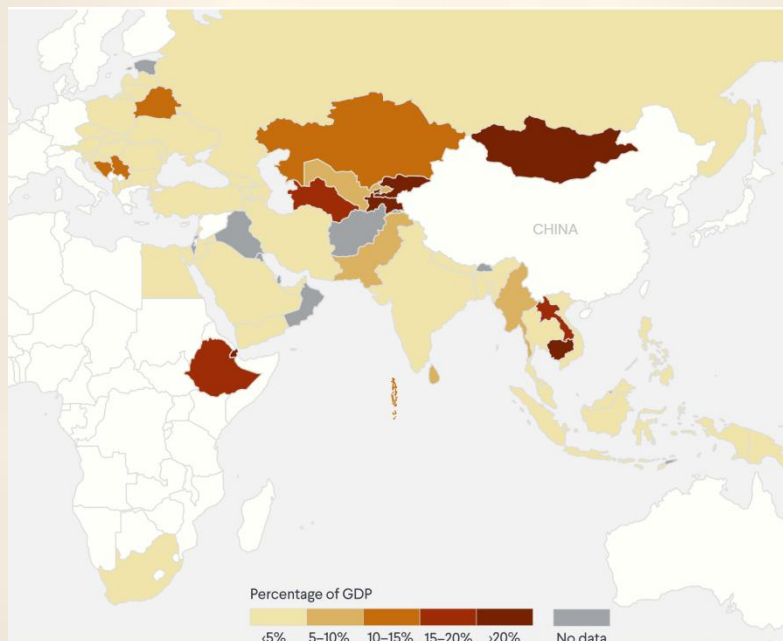


Figure 11⁴¹ Ratio of Debt to China to the GDP

40 Rochasuprabha, Nadia, and Michele Ruta. "Hurry Up! How the Belt and Road Initiative Changes Trade Times and Trade." Blogs.worldbank.org, 28 Jan. 2019, blogs.worldbank.org/trade/hurry-how-belt-and-road-initiative-changes-trade-times-and-trade. Accessed 28 Apr. 2023.

41 Steil, Benn, and Benjamin Della Rocca. "Trace China's Growing Economic Influence." Council on Foreign Relations, 2019, www.cfr.org/article/belt-and-road-tracker. Accessed 28 Apr. 2023.

However, there are concerns about the potential impact of the BRI on the environment and the transparency of the initiative's financing structure. One of the most famous theorems is “debt trap”, the term originated in 2017 to describe China received the lease for the Hambantota Port in Sri Lanka after the country’s bankrupt.

China has also implemented several programs aimed at promoting fair trade with other countries. For example, the country has established several free trade zones that reduce trade barriers and promote economic cooperation between China and other countries. Additionally, China has implemented several programs to promote sustainable development and social responsibility, including the Green Belt and Road Initiative and the China-Africa Environmental Cooperation Plan.

3.2.4 Summary

In summary, China has implemented several policies aimed at promoting fair trade domestically and globally. Despite concerns about the fairness of trade within China, the country has taken an active role in promoting economic growth and development in developing countries while also promoting environmental sustainability and social responsibility. There is still much work to be done to create a more equitable and fair trading system, but China's efforts are a step in the right direction.

3.3 Fair Trade Conditions in The European Union

3.3.1 Overview of EU Policy

The European Union (EU) is a political and economic union of 27 member states located primarily in Europe. The EU is one of the world's largest economies and plays an important role in promoting fair trade globally. EU trade policy is based on the principles of fair trade,

sustainability, and development. The EU has implemented several policies aimed at promoting fair trade domestically and globally.

The EU has been a pioneer in promoting fair trade internationally, with various organization and networks established to promote ethical standards. However, the limited coverage of its fair trade policy and high standards set by agreements such as the Common Agricultural Policy and the Sustainable Development Goals can be challenging for smaller producers to meet. The rise of self-made labels in the EU also poses challenges to the coherence and effectiveness of fair trade policies.

3.3.2 Solid Base of Fair Trade Movement

The EU has been a pioneer in promoting and supporting the fair trade movement. Fair trade movement started from a certificate for ethically traded coffee made by Max Havelaar in Dutch with considerable anti-colonial purpose⁴². “The crown jewel” of this movement, Fair trade International settle its headquarters in Bonn,⁴³ various other fair trade organization and networks were also established in Europe to promote ethical standards, including Fair trade International, World Fair Trade Organization, and European Fair Trade Association. The movement has contributed significantly to global poverty reduction, environmental sustainability, and social responsibility.

In the EU, Fair trade International is the most significant and well-known organization promoting ethical standards. It sets minimum price levels for goods and promotes better working conditions for farmers and workers in developing countries. According to the data of the EU, more than 40% of the Europeans willing to pay extra money for the fair trade

⁴² Subramanian, Samanth. “Is Fair Trade Finished?” The Guardian, 23 July 2019, www.google.co.uk/amp/s/amp.theguardian.com/business/2019/jul/23/fairtrade-ethical-certification-supermarkets-sainsburys. Accessed 28 Apr. 2023.

⁴³ “Fairtrade International.” Fairtrade International, www.fairtrade.net/about/fairtrade-international. Accessed 28 Apr. 2023.

products. Europe therefore become the most important region for fair trade products, accounting for more than two-thirds of world sales (including the USA), with the UK (€1.9 billion), Germany (€533 million) and France (€345 million) representing the largest markets.⁴⁴

The EU has also implemented several policies aimed at promoting fair trade, the Generalized Scheme of Preferences (GSP) is the flagship of these policies. The European Commission claims that “The European Union’s GSP is widely recognized as the most progressive in terms of coverage and benefits”⁴⁵, and it do provide munificent tariff reliefs for those countries suffered in extreme poverty. Here is a glance of its sections:

- 1) Standard GSP for low and lower-middle income countries. This means a partial or full removal of customs duties on two-thirds of tariff lines.
- 2) GSP+. It is a special incentive arrangement for sustainable development and good governance. GSP+ slashes these same tariffs to 0% for vulnerable low- and lower-middle income countries that implement 27 international conventions related to labour and human rights, environmental and climate protection, and good governance.
- 3) EBA (Everything But Arms). It is a special arrangement for least developed countries (LDCs), providing them with duty-free, quota-free access to the EU market for all products except arms and ammunition.

The term for the least developed countries is almost unconditional and the import from these countries is almost unlimited. The promotion to the import from the GSP member is significant, the import amount grew by 25% from 2014 to 2019, among which the import from LDCs members grew by 47%. The 27 principles also facilitate many countries to

⁴⁴ European parliament research service. Fair Trade and Consumers in the European Union. EPRS, 25 Mar. 2014. Accessed 28 Apr. 2023.

⁴⁵ European Commission. “Generalised Scheme of Preferences.” Policy.trade.ec.europa.eu, policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences_en. Accessed 28 Apr. 2023.

improve their working conditions and follow international laws, the EU claims that it has reduced the child labour rate and inhibited violence in many member countries.⁴⁶

3.3.3 Narrow beneficiary and Multifarious Standards

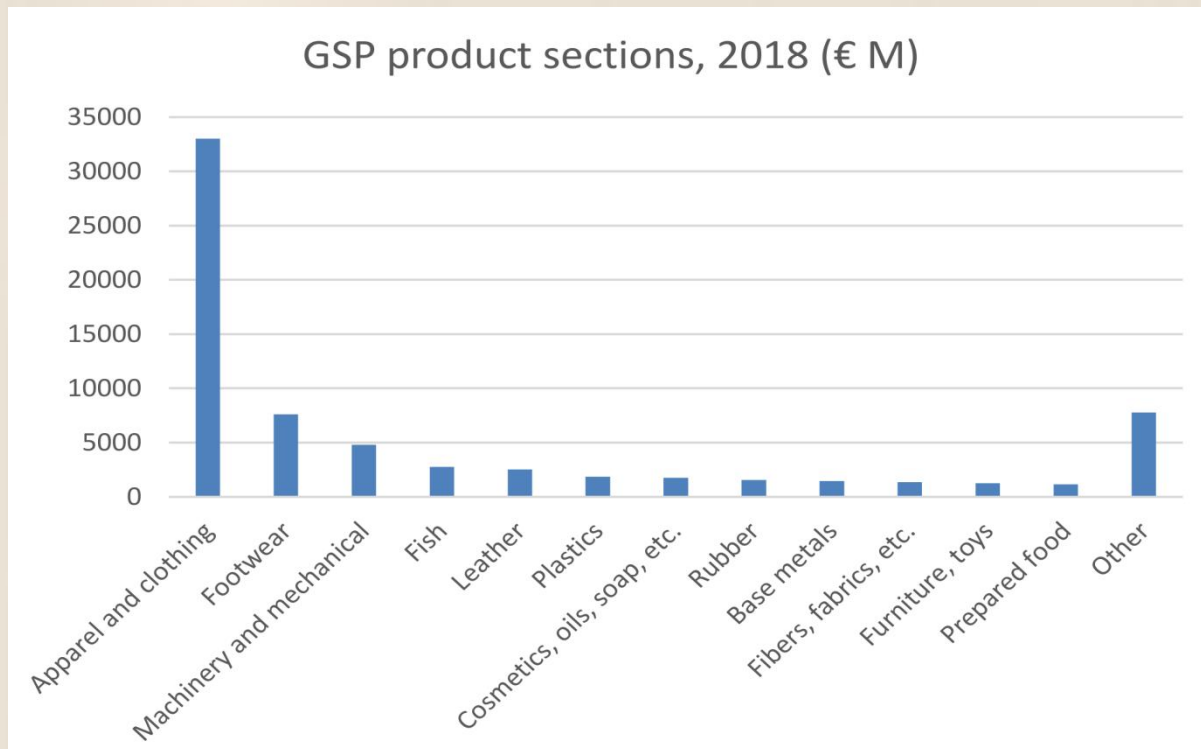


Figure 12⁴⁷ Input GSP Production Sections

Despite the EU's efforts in promoting fair trade, there are still severe limitations to its current policies. One of the main limitations is the barrier set by protective agreements such as the Common Agricultural Policy (CAP). This agreement not only requires strict adherence to environmental, social, and economic standards, which can be difficult for smaller producers to meet, but also provides distorted support to domestic agriculture and relatively high tariff to the agriculture import. The effect of the CAP can be easily estimated by picture above:

⁴⁶ European Commission. "Generalised Scheme of Preferences." [Policy.trade.ec.europa.eu, policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences_en](https://policy.trade.ec.europa.eu/policy.trade.ec.europa.eu/development-and-sustainability/generalised-scheme-preferences_en). Accessed 28 Apr. 2023.

⁴⁷ ---. "The Common Agricultural Policy: An Overview." [Eu-Cap-Network.ec.europa.eu, eu-cap-network.ec.europa.eu/common-agricultural-policy-overview_en](https://eu-cap-network.ec.europa.eu/eu-cap-network.ec.europa.eu/common-agricultural-policy-overview_en). Accessed 28 Apr. 2023.

Even for the heavily compensated GSP products, the agricultural products still only accounts little in the total number.

The EU claims that the CAP will “supports a modern, market-oriented farming sector providing safe, affordable, high quality food, produced sustainably and respecting consumer standards (environmental, animal welfare, food safety, etc.), as well as supporting investment in the broader rural economy.⁴⁸” But there is no doubts that this is a heavy financial burden, and its benefits are unevenly distributed among countries, Poland and France obtained significantly more than countries like German.

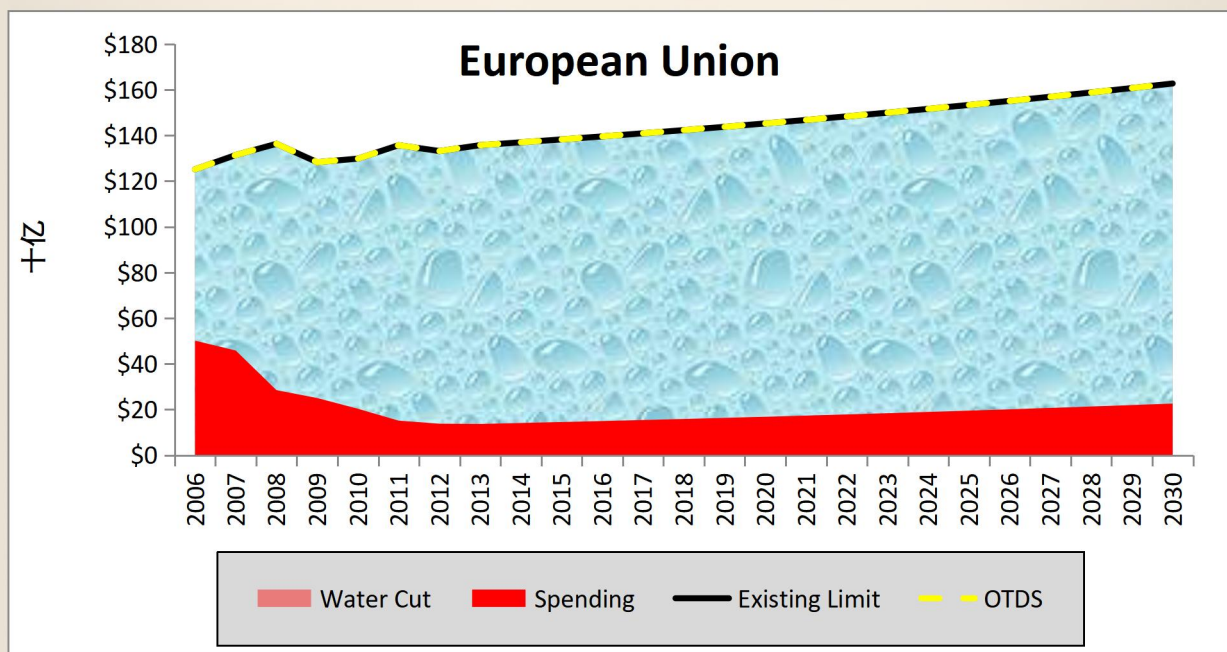


Figure 13⁴⁹ Overall Trade Distorting Support (OTDS), EU

More importantly, this policy has been widely considered as a protectionism policy and it is extremely unfair to other countries. At the beginning of 21st century, the EU had ever account

48 ---, “The Common Agricultural Policy: An Overview.” Eu-Cap-Network.ec.europa.eu, eu-cap-network.ec.europa.eu/common-agricultural-policy-overview_en. Accessed 28 Apr. 2023.

49 Trade, corporateName= Department of Foreign Affairs and. “Australian Consulate-General In.” Geneva.mission.gov.au, geneva.mission.gov.au/gene/AgriculturalTradeDistortingSupportCalculator.html. Accessed 28 Apr. 2023.

for 90% of distorted support in the world.⁵⁰ Through years of development has greatly altered the situation, it still suffers from criticisms of compensating farmers to overproduce products and then dumping them to other countries.

Another limitation is the coverage of the EU's fair trade policy. The strict restriction of the CAP made importing agriculture from those who are not in the GSP list extremely difficult. Many developing countries are not covered under the EU's GSP program or other preferential agreements because the difficulty of carrying out their political principles, making it difficult for them to enter the EU's market.

Additionally, various self-made fair trade related labels have emerged in the EU, such as Fair for Life, Bio Suisse, and Naturland. These labels have their own standards and criteria, which may not be compatible with official EU policies. However, through the influence of these labels remain unclear, they may create confusion and fragmentation in the fair trade market and damage the fame or influence of those more credible labels.

3.3.4 Summary

In summary, the EU is a one of the leaders in promoting fair trade globally. The fair trade movement has solid roots in Europe, and various policies and initiatives have contributed to reducing poverty and promoting sustainability worldwide. However, there are still limitations to the current EU fair trade policy, including high standards, protectionism in agriculture and limited coverage. The rise of self-made labels in the EU also poses challenges to the coherence and effectiveness of fair trade policies.

50 Boulanger, Pierre, and Patrick Jomini. An Economical Assessment of Removing the Most Distortive Instruments of the Common Agricultural Policy (CAP). Sept. 2010. Faculty of Business and Economics. Accessed 28 Apr. 2023.

4. Questions to Ponder

1. How to solve the problem of continuously rising grain prices from the perspective of trade fairness?
2. Is the internationalization of intellectual property necessarily beneficial for developing countries?
3. How is politics affecting fair trade? How can the problems be solved?
4. How can countries ensure the accessibility and competitiveness of foreign products without hurting domestic production, and what measures can be taken to maintain a balance between the two?
5. What strategies can be implemented to balance the need for producers to receive fair premiums for their products and the market's preference for lower prices, without resorting to large-scale subsidies that can distort fair trade practices?
6. How can fair trade policies be effectively implemented and monitored to ensure that workers and the environment are protected, and the premium is correctly utilized, particularly in developing countries?
7. How to avoid subsidy war and reach a reconciliation between mighty countries or organizations who attempt to occupy international markets or retaliate against perceived unfair laws or actions?