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STUDY GUIDE



WORLD TRADE ORGANISATION

Agenda

Building Trade Capacity of Least Developed Countries with
Additional Emphasis on the Effect of Tariff Competition
between Countries



Background Guide

Agenda:

Building Trade Capacity of Least Developed Countries with Additional Emphasis on the Effect of Tariff Competition between Countries

LETTER FROM THE EXECUTIVE BOARD

Honorable Delegates,

Welcome to the World Trade Organization (WTO) at IOIT Model United Nations. This committee will deliberate on a critical issue: strengthening the trade capacity of Least Developed Countries (LDCs) while addressing the challenges posed by tariff competition between nations.

LDCs face unique structural barriers such as weak infrastructure, limited access to technology, dependency on primary commodities, and vulnerability to tariff wars among larger economies. The WTO, as the global arbiter of trade rules, plays a central role in ensuring fairer integration of these nations into the world trading system.

As delegates, you are expected to examine how tariff competition influences trade flows, market access, and development prospects for LDCs. You must also consider the balance between trade liberalization, protection of domestic industries, and global equity.

Warm Regards,
Ayush Kumar Singh,
Co-Chair, WTO

Aakhya Tiwari,
Co-Chair, WTO



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STRUCTURE OF THE WTO

The WTO is headquartered in Geneva, Switzerland, and has 164 member states (as of 2023). It is governed by a hierarchical structure designed to ensure both inclusivity and efficiency in global trade decision-making:

1. Ministerial Conference

- o The highest decision-making body of the WTO.
- o Composed of trade ministers from all member states.
- o Meets at least once every two years.
- o Responsibilities:
 - Setting broad trade agendas.
 - Taking final decisions on negotiations and agreements.
 - Addressing systemic reforms of the global trade order.

2. General Council

- o Handles WTO's work between Ministerial Conferences.
- o Meets regularly in Geneva.
- o Composed of representatives (often ambassadors or permanent representatives) from all member states.
- o Also convenes in different capacities:
 - Dispute Settlement Body (DSB): Adjudicates trade disputes through panels and the Appellate Body.
 - Trade Policy Review Body (TPRB): Conducts periodic reviews of members' trade policies.



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3. Councils

- o Specialized councils under the General Council to oversee specific agreements:
 - Council for Trade in Goods (CTG): Oversees agreements on tariffs, subsidies, agriculture, safeguards, etc.
 - Council for Trade in Services (CTS): Manages the General Agreement on Trade in Services (GATS).
 - Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS Council): Deals with intellectual property protection and enforcement.

4. Committees and Working Groups

- o Numerous subsidiary bodies report to councils or the General Council.
- o Key examples:
 - Committee on Trade and Development (CTD) – focuses on developing and least developed countries.
 - Committee on Agriculture (CoA) – monitors food security and subsidy commitments.
 - Working Groups on Trade, Debt, and Finance, and on Technology Transfer.

5. Secretariat

- o Provides administrative, technical, and research support.
- o Staff of around 600 officials.
- o Headed by the Director-General (currently Ngozi Okonjo-Iweala).
- o Functions: drafting reports, supporting negotiations, assisting dispute panels, and providing training programs for developing and least developed countries.



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MANDATE OF THE WTO

The WTO's mandate is rooted in the Marrakesh Agreement (1995) and reflects its role as the guardian of the multilateral trading system. Its core mandates are:

1. Trade Liberalization & Market Access

- o Promote progressive reduction of trade barriers (tariffs, quotas, subsidies) to allow smoother global trade.
- o Negotiate agreements covering goods, services, and intellectual property.

2. Administering Multilateral Trade Agreements

- o Ensure compliance with WTO agreements such as GATT (goods), GATS (services), and TRIPS (intellectual property).
- o Act as the legal and institutional framework for these agreements.

3. Dispute Settlement & Enforcement

- o Provide a structured system (DSB) to resolve trade disputes fairly and peacefully.
- o Enforce rulings and authorize retaliatory measures if a member does not comply.

4. Trade Capacity Building & Technical Assistance

- o Help developing and least developed countries strengthen their ability to trade.
- o Includes training negotiators, supporting trade facilitation, and funding infrastructure improvements under the Aid for Trade initiative.

5. Transparency & Monitoring

- o Oversee national trade policies through the Trade Policy Review Mechanism (TPRM).
- o Collect and disseminate trade statistics.

6. Development and Inclusion

- o Special provisions for developing and LDCs: longer transition periods, flexibility in commitments, preferential market access.
- o Strengthen participation of LDCs in global trade by reducing structural barriers.



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7. Global Cooperation

- o Collaborate with the World Bank, IMF, UNCTAD, and regional organizations to harmonize global trade policy.
- o Provide a platform for dialogue between developed, developing, and least developed countries.

DOCUMENTS AND TREATIES – TO UNDERSTAND

To understand how the WTO supports Least Developed Countries (LDCs) and how tariff competition plays a role in shaping trade flows, delegates must familiarize themselves with the following key agreements, frameworks, and declarations:

1. Marrakesh Agreement Establishing the WTO (1995)

- Foundational treaty creating the WTO.
- Consolidates the General Agreement on Tariffs and Trade (GATT 1947/1994) with new agreements on services and intellectual property.
- Establishes the Dispute Settlement Mechanism (DSM) and Trade Policy Review Mechanism.
- Core principle: Most-Favored-Nation (MFN) – all members must treat each other equally in trade tariffs and market access.
- For LDCs: Allows special and differential treatment (S&DT) clauses giving them more time to implement obligations.

2. General Agreement on Tariffs and Trade (GATT 1947, updated 1994)

- Oldest multilateral treaty (predecessor of WTO).
- Focuses on reducing tariffs and eliminating trade barriers.
- Tariff competition is rooted in GATT principles, since nations often reduce tariffs to attract trade advantages.
- Still forms the legal backbone for trade in goods under WTO.

3. Doha Development Agenda (DDA, 2001)

- Launched at the Doha Ministerial Conference.
- Aimed to place development at the center of WTO negotiations, with special focus on LDCs.
- Priorities:
 - Reducing agricultural subsidies in developed countries.
 - Enhancing market access for LDC exports.
 - Addressing tariff escalation and tariff peaks.
- Though progress has been limited, it remains a symbol of commitment to LDC integration.



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4. Trade Facilitation Agreement (TFA, entered into force 2017)

- Simplifies and harmonizes customs procedures.
- Reduces red tape, delays, and costs — particularly beneficial for LDCs with weak infrastructure.
- Estimated to reduce trade costs by up to 14.3% for LDCs (WTO data).
- Provides a framework for capacity-building assistance to help LDCs implement reforms.

5. Generalized System of Preferences (GSP) & Duty-Free Quota-Free (DFQF) Initiatives

- GSP: Preferential tariff schemes offered unilaterally by developed countries (EU, US, India, China, etc.).
- DFQF: Commitment (from 2011 onwards) that all WTO members provide duty-free, quota-free access to at least 97% of tariff lines for LDC exports.
- Helps LDCs compete in markets otherwise dominated by tariff competition.

6. Agreement on Agriculture (AoA, 1995)

- Regulates subsidies, market access, and export competition in agriculture.
- Agriculture is the backbone of most LDC economies.
- Tariff peaks and domestic support in developed countries distort competition and undermine LDC farmers.
- AoA remains a central battlefield for tariff-related issues.

GLOBAL CHALLENGES AND ETHICAL CONSIDERATIONS

Trade capacity building for LDCs is not just an economic question — it raises political, ethical, and social dilemmas. Tariff competition between larger economies often worsens vulnerabilities for LDCs.

1. Tariff Wars and Spillover Effects

- Trade conflicts (e.g., US–China tariff disputes) cause supply chain disruptions.
- LDCs, who depend on a few commodities or markets, lose competitiveness when tariffs escalate.

2. Dependency on Preferential Schemes

- LDCs rely on preferential access (like GSP/DFQF schemes).
- Over-dependence creates ethical concerns: are these schemes promoting self-reliance, or perpetuating dependency on richer nations' goodwill?



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3. Race to the Bottom

- Tariff competition can lead to unhealthy competition, where countries slash tariffs aggressively to attract trade, forcing LDCs to compromise on revenue or policy autonomy.

4. Equity vs. Efficiency Debate

- Free trade may increase global efficiency but often widens inequality.
- Ethical question: should WTO prioritize level playing fields for LDCs, even if it means limiting tariff flexibility for developed nations?

5. Sustainability Concerns

- Pressure to reduce tariffs might push LDCs to export more resource-intensive products, threatening environmental sustainability.
- WTO must balance trade expansion with climate commitments and labor standards.

6. Digital Divide

- In the era of e-commerce, LDCs struggle with digital infrastructure.
- Ethical challenge: Will tariff liberalization benefit only those with advanced economies, further excluding LDCs?

KEY INTERNATIONAL FRAMEWORKS AND COLLABORATIONS

Beyond WTO agreements, several global and regional frameworks support LDCs in building trade capacity while navigating tariff competition:

1. Aid for Trade Initiative (2005)

- WTO-led global partnership mobilizing resources to help LDCs build trade-related infrastructure.
- Focus: customs modernization, logistics, and capacity to meet international standards.

2. Enhanced Integrated Framework (EIF)

- WTO's exclusive LDC program involving IMF, World Bank, UNDP, UNCTAD, and ITC.
- Helps LDCs integrate trade into national development strategies.
- Provides funding for diagnostic trade studies and export promotion projects.

3. Generalized System of Preferences (GSP) & DFQF Commitments

- Offered by developed countries and major emerging economies.
- Ensures LDC exports enter at lower or zero tariffs, reducing disadvantage from global tariff competition.



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4. Regional Trade Agreements (RTAs)

- E.g., African Continental Free Trade Area (AfCFTA), South Asian Free Trade Area (SAFTA).
- Provide collective bargaining power for LDCs and create regional markets less vulnerable to tariff shocks between great powers.

5. UNCTAD's Role

- Provides research, policy analysis, and training to help LDCs navigate tariff escalation, tariff peaks, and non-tariff barriers.

6. Bretton Woods Institutions (World Bank & IMF)

- Support trade facilitation projects and offer financial stabilization packages for LDCs affected by tariff disruptions.

7. Private Sector & NGOs

- Standards organizations, chambers of commerce, and NGOs often provide technical training, certification, and market access tools for small-scale LDC exporters.

QUESTIONS THE COMMITTEE MUST ADDRESS

Delegates should focus debate around solving real structural problems for LDCs while addressing the impact of tariff competition. Key questions include:

1. Tariff Competition:

- o How can WTO prevent harmful tariff wars that destabilize LDC economies?
- o Should WTO adopt rules to limit predatory tariff reduction practices?

2. Market Access:

- o What measures can ensure fair and predictable access for LDC exports?
- o How can tariff peaks (high tariffs on processed goods vs. low on raw materials) be addressed?



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3. Capacity Building:

- o Should WTO expand technical assistance to help LDCs diversify beyond primary commodities?
- o How can LDCs strengthen domestic industries while competing in global markets?

4. Digital & Services Trade:

- o How can LDCs be integrated into the growing e-commerce and services trade sector?
- o Should WTO create special tariff provisions for digital goods/services relevant to LDCs?

5. Sustainability & Fairness:

- o Should WTO mandate environmental and labor safeguards in LDC trade agreements?
- o How can tariff policies align with SDGs without creating further barriers?

6. Dispute Settlement & Representation:

- o Should WTO give LDCs stronger representation in dispute resolution, considering their limited legal resources?
- o Can a special mechanism be created for LDC tariff-related grievances?

SUGGESTED RESEARCH AREAS FOR DELEGATES

To prepare effectively, delegates should explore:

1. Case Studies of Tariff Competition and LDCs

- US–China tariff war impact on African agricultural exporters.
- EU tariff escalation in processed vs. raw commodities.
- South Asian textile markets under tariff preference schemes.

2. National Trade Strategies of LDCs

- How Bangladesh leveraged textile exports under GSP.
- Ethiopia's coffee exports and vulnerability to tariffs.
- Nepal and Cambodia's challenges in WTO accession and compliance.



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3. WTO Mechanisms & Proposals

- Review of Doha Development Agenda and why it stalled.
- The Nairobi Package (2015) and its relevance for LDC agriculture.
- Proposals for tariff capping mechanisms to protect LDCs.

4. Comparative Study of GSP Schemes

- Compare EU's Everything But Arms (EBA), US GSP, India's DFQF scheme, and China's preferences for LDCs.
- Analyze whether these reduce or reinforce dependency.

5. Regional Trade Agreements (RTAs) & LDC Inclusion

- How AfCFTA aims to reduce tariff barriers within Africa.
- Lessons from ASEAN for smaller economies like Laos and Cambodia.

6. Digital Trade & Tariff Implications

- WTO debates on moratorium on e-commerce tariffs.
- Impact on LDCs lacking digital infrastructure.

7. Sustainability Angle

- Research on whether green tariffs or carbon border taxes disadvantage LDCs.
- How trade liberalization intersects with climate adaptation strategies for vulnerable countries.



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