



# WTO

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Dear delegates,

Soon, you will be debating about very important questions. More than ever, today's world is facing major crises. The most important of those crises are often related to trade because trade deals with essential components for the survival of humanity. In this report, we propose to study current issues related to trade for two of those essential components: *pharmaceuticals* and *food*. The document is organized as follows,

The first section provides a short introduction to the role and operation of the World Trade Organization (WTO) in order to give you an idea on the type of solutions it can bring. The subsequent two sections then introduce the topics that you'll have to discuss. For the first topic, we propose you to discuss the issue of the *cost of some essential patented pharmaceuticals and their distribution to countries with a weak purchasing power*. For the second topic, we briefly introduce another very important issue: *The recent crisis in essential cereals and grains prices and the dangerous international response to crisis*. In both situations, we tried to provide arguments supporting and arguments contradicting each position, so as to highlight the complexity of the running negotiations. In each case you'll thus have access to documents from both sides.

All the references provided are open access and you can therefore download them on the web for further details. We hope that you will enjoy debating about those issues that are more than ever on the WTO's agenda as well as at the heart of the news as indicated by the references cited. Of course don't hesitate to contact us for any questions.

Looking forward to meeting you all and to starting this fascinating debate!

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and

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# Committee Background Information

The World Trade Organization (WTO) is a global organization regulating the trade between nations. The WTO is a place where member governments send their representatives to sort out the trade problems they face with each other. The WTO provides help for the countries that have encountered trade barriers to liberalize trade. The agreements between countries are signed and those documents provide the legal rules for international commerce. The WTO began life in January 1, 1995. However, since 1948, the General Agreement on Tariffs and Trade (GATT) was providing rules on trade. The last and largest GATT round, the Uruguay round, which lasted about eight years from 1986 to 1994 led to the WTO's creation. The WTO agreements deal with a wide range of activities such as

- Agriculture
- Textiles and clothing
- Banking
- Telecommunications, government purchases
- Industrial standards and product safety
- Intellectual property,
- ...

WTO agreements are also usually based on a set of simple principles: As far as possible the trading system should be the following.

## **Freer trade (including trade without discrimination)**

Countries shouldn't discriminate between their trading partners (there should be no most-favored-nation or MFN). Accordingly, they shouldn't discriminate between their

own and foreign products and/or services. More generally, one of the main principle of WTO consists in the lowering of trade barriers (such as customs duties, import bans or quotas) through progressive liberalization since this is the first mean of encouraging trade.

## **Stable and predictable trade**

Maintaining tariffs rates and market opening commitments gives a clear view of the businesses future opportunities. Stability and predictability encourages market security for traders and investors. A country can change its bindings but after negotiating with its trading partners. (in agriculture, 100 percent of products now have bound tariffs)

## **More competitive trade but with fair competition**

Government are allowed to respond to unfair competition in some situations for example by charging additional import duties.

## **Encouraging development and economic reform**

The idea here is to provide more time for unfamiliar and less developed countries to adapt. Recently developed countries have started to allow duty

More information (including some of the documents given in references) can be found on the WTO website <http://www.wto.org>.

In this document we propose to discuss two issues that the WTO has been facing:

1. The relation between intellectual property rights devoted to protect patents developed by pharmaceutical companies and access to the same pharmaceuticals by less developed countries
2. The increasingly high prices for cereal grains such as rice, wheat or corn

# Responding to Increasing Prices and Excessive Price Volatility in Food Materials in Sub-Saharan Africa

## Introduction and origin of the problem

Infectious diseases kill more than 10 million people each year and more than 90 percent of those people are part of the developing world [3]. High price of drugs are a barrier to treatments. For this reason governments in developing countries are trying to bring the prices of those medicines down.

Unfortunately, patents protection in developing countries has always been a source of controversy, especially when dealing with *life-saving drugs*. Governments in developing countries that attempt to lower the price of medicines usually come under pressure from industrialized countries as well as the multinational pharmaceutical companies [3].

If the potential prices for pharmaceuticals is already lower in some developing and poorer countries than in the developed world, multinational companies may enter those markets with delay or show no interest at all, implying no access to those patented drugs within the developing countries. At the same time, patents are essential at creating a creative and inventive work environment. Those stimulate domestic innovations and entrepreneurship, therefore leading to the creation of new jobs. The idea of patents is protected through the World Intellectual Property Organization (WIPO) which defends the complementary idea that patents stimulate the development of new drugs (some of which wouldn't have been developed without those patents). According to the same organization 95 percent of the

WTO's essential pharmaceutical products would be "off patent" [4].

Companies from developed economies have been complaining for several years that the violation of their patents as well.

## WTO's role

The WTO has been implied on the issue of patents in poor countries through two main achievements :

The Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS), which has been setting out the minimum standards for the protection of intellectual property rights (including the pharmaceutical companies patents). The TRIPS agreements include safeguards to face negative effects of patent protection but it remains unclear how the poorer countries can make use of those safeguards to counter patent abuse in the case of barriers to essential pharmaceuticals access. Concretely, The TRIPS in their current state satisfy both sides without settling.

The Doha declaration, which gave more importance to public health over protection of intellectual property. Unfortunately the Doha declaration has been unable at solving all the problems related to intellectual property and public health [3].

## Possible solutions to be discussed

When pharmaceutical companies enter developing countries (such as India or Brazil for example), marketing and distribution networks haven't generally had the time to be properly set up, thus leading to limited access to their products inside the country. This consideration could provide a first justification for the replacement of full intellectual property rights by compulsory licensing [1]. [1] Basically, a compulsory license is the idea that the owner of a patent or copyright allows or licenses the use of the patented product against payment of a given amount which is determined either by law or through some form of regulation. One solution is the production and export of generic medicines to countries that are unable to produce [3]. Intellectual property is nothing but one among many factors influencing access to healthcare and drugs. And the UN declaration of Commitment on HIV/ AIDS has also noting the importance of strengthening national health and social infrastructures to prevent the spread of epidemics [4].

### Countries involved

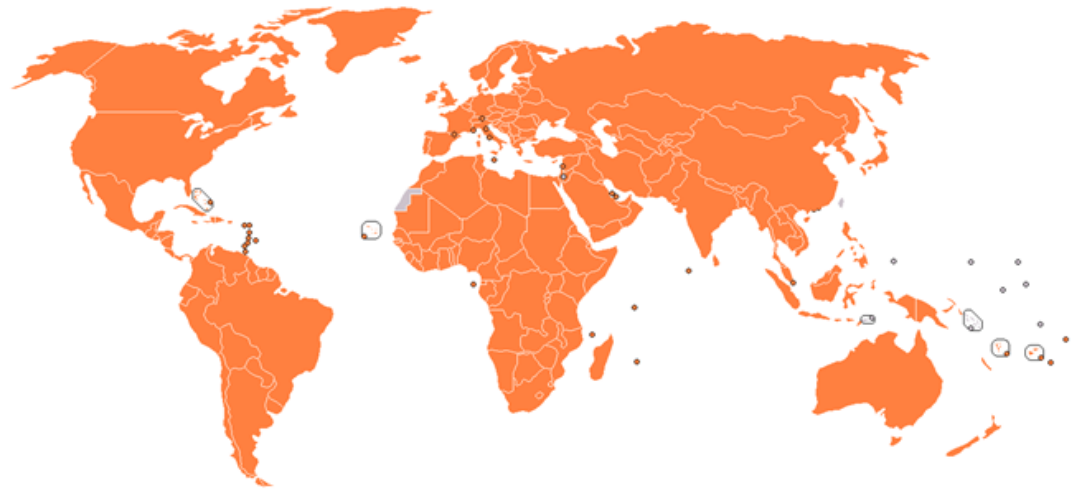
One of the major crisis taking place in the developing world which is causing illness and death among several countries is HIV/AIDS, respiratory infections, malaria and tuberculosis. The magnitude of the crisis is such that it has drawn attention on the fact that many didn't have access to the medicines

that are needed to treat the disease or reduce the suffering.

Those diseases are particularly present in Africa, Asia and South America regions. On the other side, as shown below, almost all countries are members of the World Intellectual Property Organization.

**Figure 1:**

Members of the World Intellectual Property Organization (WIPO) are shown in orange



[1] *Intellectual Property Rights Protection in Developing Countries, The Case of Pharmaceuticals*, Pinelopi Koujianou Goldberg, Princeton University, NBER and BREAD, December 2009

[2] *Making Access to Pharmaceuticals a Reality: Legal Options Under TRIPS and the Case of Brazil*, Zita Lazzarini, University of Connecticut Health Center

[3] *TRIPS, Pharmaceutical Patents and Access to Essential Medicines: Seattle, Doha and Beyond*,

[4] *Striking a Balance: The patent system and access to drugs and health care*, World Intellectual Property Organization.

[5] Zita Lazzarini : *Making Access to Pharmaceuticals a Reality: Legal Options Under TRIPS and the Case of Brazil*, Yale human rights and developments law journal.

[6] Carlos M. Correa, *Intellectual Property rights, the WTO and developing countries, the TRIPS Agreement*.

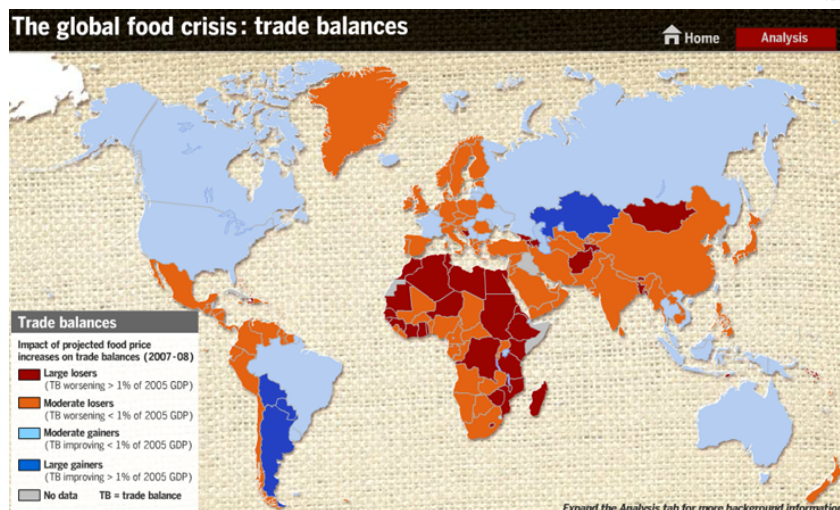
[7] Ellen F. M. 't Hoen, *Trips, Pharmaceutical Patents and Access to Essential Medicines : Seattle, Doha and Beyond*

# Evaluating the role of domestic subsidies, tariffs, and quotas on the rising price of corn, wheat and rice

## Introduction

Large increases in international food prices have become a major concern for policy makers in general and the World Trade Organization (WTO) in particular. Those increases and the subsequent market distortion policies have significant impact on the living standards of many poor countries. Due to limited space, the dias encourages you to visit the page of the U.N. Food and Agriculture Organization (FAO, <http://www.fao.org/economic/ess/ess-fs/en/>) to find evidence of what we state here. Particularly meaningful is the similarity between the losers in trade balance (shown in red and orange on Figure 2 below) and the FAO's 2013 hunger map. In the following section we briefly enumerate some of the reasons for this sharp increase in food prices as well as the possible of the WTO. We further provide some national details on each country situation as well as some possible bases for solutions.

Figure 2:



World results of the global food crisis. The greatest losers are shown in red with a trade balance (TB) worsening higher than 1 percent of the 2005 GDP. Whether the beneficiaries are shown in dark blue with a TB improvement less than one percent of the 2005 GDP [3].

## Origin of the problem : Why are corn, wheat and rice prices increasing ?

### Increase in food prices : the origin

Several reasons are at the basis of the increase in food prices. The fast growing of several economies like China or India mean that people have more money to spend on food. In India people are eating more often. Meat consumption is rising, which means more demand for wheat and corn to feed chickens. Biofuel policies in advanced countries is also promoting more climate-friendly source of energy. Other causes include droughts, related underproduction, low and/or declining level of stocks also impact the increase in food prices.

### Reaction by domestic subsidies, tariffs and other quotas

Agricultural producing countries responded to the jump on food prices with export restriction policies which are sometimes described as “starve your neighbor” policies to retain sufficient supplies in their domestic markets, and to



keep local prices down. On the other hand, importing countries have introduced price controls, food subsidies or have modified their agricultural policies to boost supply in order to reduce prices and to avoid social unrest [3].

### **How subsidies and market distortion may play a role/the role of WTO**

Current WTO rules and agreements on agriculture apply to *market access* (trade restrictions confronting imports) and *domestic support*, including subsidies and other programmes such as those guaranteeing farmgate prices and farmer's incomes. *Export subsidies* (as well as other methods used to make export competitive) also contribute to market distortion.

### **Countries involved**

Top exporters in wheat and rice include the U.S., Canada, E.U., Russian Federation, Australia, and India. Of these, Russia uses price controls to regulate domestic supply. Similarly, India, who is the third largest exporter of rice, has banned export of all non-basmati rice in response to a fall in rice reserves.

In addition to the top exporters, *restriction* have also been applied in Argentina, China, Kazakhstan, and Egypt, among other nations. China has gone so far as banned rice export and has applied tariffs on many imported grains. Egypt too has followed this course of action and has imposed a ban on selling rice abroad. Kazakhstan, which is one of the world's largest grain exporters, places export tariffs on wheat so as to help push wheat prices higher at the end of February.

In addition to export restriction, many countries responded by taking price measures. The E.U., for one, has suspended import duties on all grains except oats until June. The Russian Federation has also introduced price control on some basic food together with a 40 percent export tariff on wheat. Brazil, on the other hand, has eliminated its 10 percent import tariff. Price controls also appear to be a popular policy for social welfare. In South Africa, the labor federation COSATU is threatening strikes and calling on the government to set price controls. Additionally, Peru has eliminated tariffs on imported wheat, corn, and flour. Peru has also announced a program to distribute food to the poorest citizens.

### **Food security case example: India**

Perhaps one of the most debated case those last days was India. Indeed, India is now standing in the way of a deal which should have been taken by the WTO concerning trade facilitation [2]. The goal of these trade facilitation measures would have been to ease trade through simplified custom rules which could be supported by almost every member of the WTO. However, India is leading a disagreement over agriculture [2].

Like many developing countries, India strengthened food security policies in response to swings in food prices, stepping up the subsidies to meet production goals. However, those subsidies could soon become large enough to violate WTO rules so that a group of developing countries led by India is demanding a rule change. Part of the reason for this has to do with elections imminence which make politicians object sensible but unpopular reforms. Whether an agreement would restore WTO's credibility and and

allow its new director-general, Roberto Azevedo from Brazil to set an ambitious path for the future of liberalization including a binding schedule for elimination of the rich-country farm subsidies.

## Ideas of solutions

Consider the following two bases for solutions:

1. At first, humanitarian and international aids towards developing countries to ensure growth and development will probably be required. This help should also help them reducing domestic food [4].
2. It seems however that external help alone is not a viable solution in the long run. A 2013 paper by the World Bank [3] reviewing the experience of China, India, Madagascar and Bangladesh further suggests that the optimal strategy for price stabilization would combine market-based instruments, such as procurement by tender and open market sales, with targeted safety nets (i.e social protection measures including public works cash transfer and credit programs addressing the needs of vulnerable households) to avoid the losses due to reliance on the government management alone.

[1] *Understanding the WTO*, Fifth edition. Previously published as "Trading into the Future" Written and published by the World Trade Organization Information and External Relations Division, 2011.

[2] *The indian problem*, The economist, Nov 23<sup>rd</sup> 2013.

[3] <http://www.ft.com/intl/cms/beat578a8-12d9-11dd-8d91-0000779fd2ac.swf>

[4] *Rising Food Prices in East Asia: Challenges and Policy Options*, Milan Brahmbhatt and Luc Christianensen for the World Bank, May 2008

[5] *Food prices rise for second month, strong cereal crop forecast for 2013-UN Agency*, see [www.un.org](http://www.un.org)

[6] *Record cereal prices stoke fears of global food crisis*, Josephine Moulds for The guardian, July 2012.

[7] Paul A. Dorosh, The World Bank Washington D.C, *Food Price Stabilization and food security : international experience in Bulletin of Indonesian Economic studies*, Vol. 44, No. 1, 2008 : 93-114.