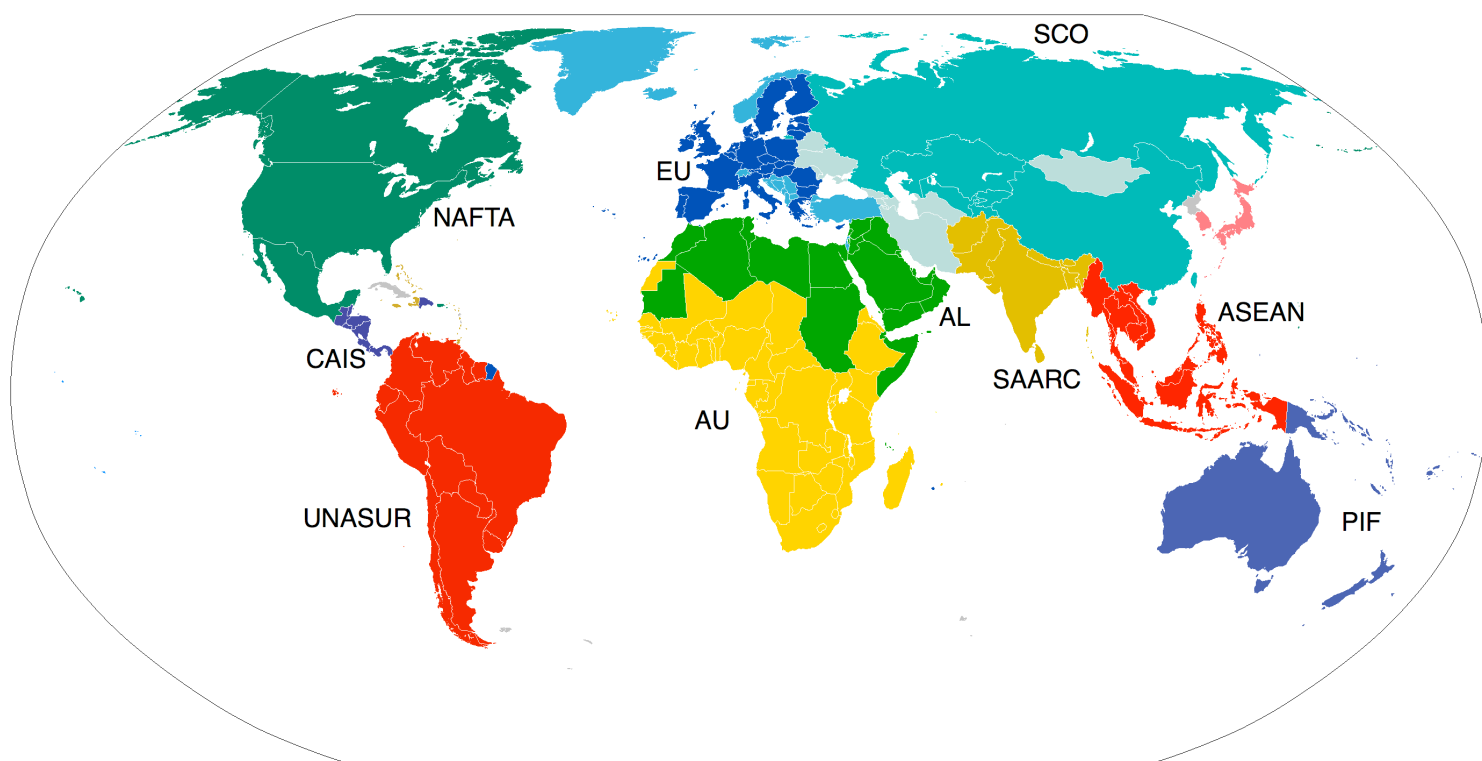


# WTO

## MITMUNC III, 2011



# Committee Welcome Letter

Dear Delegates,

My name is Cory Hernandez. I'm a first-year at MIT, planning to probably double major in mathematics and political science. Time that I don't devote to studying and doing homework is divided among a number of things: my internship at the Gay, Lesbian, & Straight Education Network in Boston, Debate Society, Amnesty International, LGBT@MIT, and of course MIT's AIRMUN.

I hail from Mesa, AZ, where I participated, among many other extracurricular activities, in Model United Nations for three years. When I was representing the Kingdom of the Netherlands in the Human Rights Council I was awarded Best Delegate after receiving a perfect speaker score. I expect all of you to know parliamentary procedure and to have confidence, poise, and respect when speaking, debating, and caucusing. Nevertheless, I'm a nice guy, I promise. If you need help or clarification on anything, just let me know. I consider myself a pretty affable person, so I'll hopefully be your go-to person when you need help with something about the conference—especially with the WTO.

See you in February,

*Cory Hernandez*

## This year, our discussion topics are:

### Agriculture, as discussed in the Doha Rounds

### Trade and Environment, as discussed in the Doha Rounds

## Brief Committee Overview

The two topics out of the myriad that the Doha rounds focus on that I'm asking you to consider in-depth are Agriculture and Trade & Environment. Overall, the Doha rounds have failed at successfully outlining implementation procedures. As delegates from your respective member states, I ask you each to write position papers detailing your country's stance on each topic aforementioned; information about position papers and general conference preparation is available at <http://www.mitmunc.org/preparation.php>. During committee, all of you should draft and pass agreements that would give rise to actual, tangible rules and procedures that would ultimately help further the cause of free trade while specifically focusing on the two topics above. The Doha rounds started in 2001, but have yet to yield substantial results. I want you to change that, essentially.

## Agriculture, as discussed in the Doha rounds

### The Problems

According to the Food and Agriculture Organization of the UN, there are an estimated 925 million people who suffer from chronic hunger. Moreover, a child dies every six seconds because of malnourishment-related problems. Clearly, hunger is a huge issue in the world. However, according to Article 25 Clause 1 of the Universal Declaration of Human Rights, "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food..."—which is undoubtedly not the case for one-sixth of the human population in the world. Moreover, the first UN Millennium Development Goal (UNMDG) is to eradicate extreme poverty and hunger. This is specifically a problem for the WTO and the Doha rounds because food aid is a central issue that can disrupt markets while the WTO can help provide the necessary foodstuffs for those in need. Aid can disrupt markets because, as according to economic theory, an increase in supply will subsequently cause a decrease in the price for that same good, and in reverse, a decrease in supply will increase the price of the goods. Moreover, as might be obvious, giving away anything for free means that the

country/company/farmer producing the foodstuffs will not receive any sort of financial compensation or profit, which could be quite problematic in this time of slow economic recovery from the worldwide "Great Recession."

Another issue at the heart of agriculture in the Doha rounds for the WTO is how to deal with tariffs. A tariff, by its most basic definition, is a tax on an imported or exported good. Generally, nations will impose tariffs in order to protect their own country's economic goals and nation's economy (usually measured by gross domestic product [GDP]). Tariffs are usually imposed on imported goods in an effort to force consumers to buy products made in that particular nation. While it may seem good for that nation's producers, at least in the short term, which causes a decrease in the quantity demanded of the good, which then causes a decrease in the number of consumers on an international level, which of course hurts the entity producing the particular good. Nevertheless, tariffs can also be placed on exported goods in order to keep down the price of a good. This is achieved because this will discourage businesses from selling outside of the country, which will decrease the number of consumers for a particular good, so price will fall. Although there are a variety of types of tariffs, simply focusing on the general definition of a tariff ought to be enough for the purposes of debate.

Subsidies are a different method of achieving the same goals as tariffs, in addition to some other goals. In general, subsidies are made by the government to a specific type of good. For instance, a government could subsidize food production in its own country in order to keep the market alive, to keep down the cost of the food, and to thusly feed its people. However, this makes it harder for other countries to sell agricultural goods and foodstuffs to said country because the competition is skewed in favor of the subsidized goods which are cheaper, altering the quantity demanded and the number of demanders. This type of subsidy has been demonized by many international human rights organizations and publications, including *The Economist*, because it greatly favors first-world countries like those in the EU and North America because they have the financial ability to subsidize goods. On the other hand, it harms third-world countries like those in Africa and Asia by removing opportunities for those countries' farmers to put their products on the world markets because the developed countries' farmers are being paid by their respective governments to put their then-cheaper-to-be-produced goods on the world markets.

Quotas have also proven to be problematic

when it comes to international trade. An import quota sets a physical limitation on the quantity of a good that may be imported into a country over a given period of time. Many nations practicing protectionism have implemented import quotas in an effort to cap the amount of foreign goods allowed to be sold in that country, thereby forcing consumers in that nation to purchase goods made domestically. Again, this leads to a higher cost for consumers by diminishing the amount of competition, or the number of suppliers, which leads to an increase in the price of that good in the market. Another resulting problem from quotas, as well as tariffs, is smuggling, which is people illegally selling a specific good inside the boundaries of the country which would normally have the quota or tariff on the good.

Tariff-rate quotas (TRQs) have also caused many issues for world markets and many developing countries. These work by the government of a nation placing an import quota on a good, and under the time and amount of the quote, there is a very low—or nonexistent—tariff placed on the good; but after the amount is reached in the time set by the quota, then a higher, sometimes prohibitive, tariff is placed on the good. These obviously lead to the same consequential problems aforementioned for tariffs and quotas.

The final issue is credit guarantee between nations. This works in a somewhat complicated manner. First, though, one has to understand why it is necessary. Many lenders—especially the worthwhile big-time lenders that countries would want to get money from—refuse to lend money to developing countries because they are seen as too risky of an investment. This is understandable, as lenders cannot expect to make any sort of profit if the borrower, the country with an uncertain, shaky economic future, may simply not be able to pay the amount back, and may not even be able to pay any of the interest, thereby defaulting on the loan. Nonetheless, it is quite apparent that many of these developing nations do need some assistance financially to build up their infrastructure, government, and agriculture. Instead of simply giving money to these countries, many international organizations would like to see them practice some fiscal responsibility by lending them the money, with the understanding that the lender would be paid back. Since lenders refuse to lend to these risky countries, credit guarantee programs have been established where a third party—the guarantor—agrees to guarantee the amount of the loan and interest to the lender in case the borrower fails to be able to do so. This program is designed to be the first step in creating a longer-lasting relationship between the lender and borrower, where the lender has faith in the borrower because the latter hopefully proved to be able to pay, and so the guarantor is then taken out of the equation. However, some problems arise from these programs. For example, sometimes the payments to lenders

because of loan losses exceed what the guarantor can afford. Other times, the fact that there is a guarantor is still not enough to motivate a skeptical lender to actually lend to the demander/borrower.

## What Has Been Done

Food aid has increased, though clearly not to the extent that is needed to actually realize the first UNMDG, which would then help realize the others. Still, it is true that the number of those who were hungry in the world decreased from the record high of over one billion in 2009 the current 925 million hungry people. Moreover, many of the root causes of these troubling statistics stem from the other issues at hand.

Tariffs have been a major issue since international trade has begun. Namely, in the twentieth century, when the world truly became globalized, the General Agreement on Tariffs and Trade (GATT) was signed in 1947 by 23 countries, decreasing the amount of tariffs, which then affected about \$10 billion worth of trade. Seven more rounds of GATT were completed, the last in Uruguay, with a total of 123 countries deciding to create the World Trade Organization (WTO) and to reduce tariffs by 40% and agricultural subsidies, among many other agreements. Still, the effects of tariffs and agricultural subsidies are felt by developing countries whose farmers simply cannot compete in world markets, and so their agricultural businesses may simply die out, which is one large factor in the problem of global hunger. Thus, 141 countries have agreed to meet in Doha to discuss further actions that need to take place to help the world economically in many aspects, including, of course, agriculture.

Furthermore, quotas were banned in the 1995 Uruguay Rounds, though TRQs have been allowed as a sort of step away from quotas for member states. On the other hand, credit guarantee programs have still proved to be alive and well, though their effects hard to measure, and so many member nations are weary of allowing them, and, considering the lack of understanding and data thereof, many are unsure of how to regulate them.

## What Happens Next

Tariffs, TRQs, and subsidies have clearly proven to hurt the fight against global hunger, as they mitigate developing countries' agricultural plans and businesses. However, simply getting rid of them may prove to be difficult, as this step would undoubtedly cause major ramifications—many negative—for developed countries who have them in place to “protect” their own interests. In addition, the question of credit guarantee programs is still up in the air for member states of the WTO.

## References/Further Reading

<http://stat.wto.org/Home/WSDBHome.aspx?Language=E>  
[http://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dda_e.htm)  
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<http://www.wto.org>

## Trade and Environment, as discussed in the Doha rounds

### The Problems

Global warming and the need for concern over the current and future states of the environment are very real issues for every nation in the world. The UN has taken a strong stance on the issue of ensuring environmental sustainability, making it the seventh UNMDG. In turn, the WTO in the Doha rounds has decided to put a major focus on balancing a free market with little to no trade restrictions and a world that is taking care of its planet and environment.

Environmental tariffs, or eco-tariffs, have been a major issue since pollution has become an immensely pertinent issue in the international community, including the UN and WTO, and have caused great distress for many parties involved. As these are still tariffs, see the background guide for the other topic for a more thorough definition and analysis of tariffs. However, the “negative” impacts aforementioned are intended with eco-tariffs, and are actually seen as positive consequences. As a matter of fact, many developed countries like those in North America and the EU see eco-tariffs as progressive, because they decrease the amount of trade with environmentally unfriendly goods—that is, goods that lead to pollution either because of their production or consumption. However, these eco-tariffs hurt developing countries because these countries cannot afford to have the same high environmental standards as other countries. Clearly, as by definition and analysis, eco-tariffs are still tariffs, and are therefore trade restrictions which raise prices and hurt world markets.

Subsidies have also shown to be a fairly pressing issue for many countries. The same definition and analysis as given above apply to the case of the environment, though of course specifically looking at environmental goods. For instance, some member states subsidize fisheries, and many international organizations like the World Wildlife Federation (WWF) see this as a major issue because paying fish farmers to continue and increase their work causes them to fish

more and more, necessarily leading to overfishing, which occurs when fish are caught at a rate faster than they can reproduce. This is particularly harmful because about one billion people rely on fish as a significant—or sole—source of their daily protein.

As previously mentioned, many countries have varying and differing—sometimes contradicting—rules on how businesses/companies/farmers can interact with the environment. One of the biggest problems facing many international bodies, including the WTO, is how to create an international policy that everyone can agree upon so that everyone will follow it and thusly help the environment. For example, the Kyoto Protocol had proven to be helpful in reductions in the countries that ratified it, but some countries, including the United States, failed to ratify it, clearly demonstrating the differing opinions among the member states.

On the topic of the Kyoto Protocol, it is set to expire in 2012, leaving many environmentalists, international organizations, and member states worried that talk of environmental sustainability may be seriously hindered or cease altogether. Moreover, the failure of anything substantial coming from the Copenhagen talks on the environment in 2009 only furthers the worries of many. Numerous countries have called for the re-ratification of the limits set in the protocol, as well as more stringent measures on curtailing pollution. These states include developing nations that are calling upon richer, developed nations to take the steps necessary to mitigate pollution levels, as these nations are the biggest polluters with their urban cities and large-scale factories. However, some think that developing countries ought to have some standards set on them, going against the decisions made in the Kyoto Protocol, which set out to exempt developing countries because of their poorer status.

As with any talk of protecting something—i.e. the environment in this case—there is the debate between having a free market and having a market with some regulations. Some people, organizations, and member states hold the view that world markets should be (almost) entirely free, where tariffs and subsidies are eliminated, as well as any sort of regulations on any issue, including but not limited to the environment—see, for instance, the Kyoto Protocol. They then argue that if the environment is truly as much of a concern as many make it out to be, then the market will correct for any mistakes and problems, and thusly the consumers will choose to buy eco-friendly goods over those that are not, thereby eventually solving the problem of certain goods’ production and consumption causing harm to the environment. On the other hand, those in favor for more of a mixed market world economy would rather see a gradual reduction in tariffs and subsidies—eventually leading to the elimination of both altogether—while keeping international regulations on environmentally-impacting goods.

Note that the environment can be affected by many



things. Not only is it directly affected by such things as fishing and lumbering, as well as the production of textiles with factories and the consumption of cars via driving on fossil fuels and emitting carbon dioxide, but also the environment can be affected in a different direct manner with the soil and ground. In this latter direct case, reference should be made back to agriculture, as the economic policies in place for certain agricultural products can definitely have a direct and/or indirect impact on the environment.

## What Has Been Done

As has been mentioned, eco-tariffs have been implemented by many countries for a variety of goods. However, their effectiveness could easily be debated. For example, some countries have a tariff on imported oil, such as the United States, yet still continue to consume that environmentally unfriendly good—specifically, for the United States, at a rate much higher than any other nation in the world—thereby undermining the entire purpose of the eco-tariff in the first place. Other countries, like the Philippines, used to have a tariff on imported oil, but decided to rid themselves of it because of the clear picture that the tariffs had proved to be ineffective in being so costly as to motivate consumers to demand an alternative, more eco-friendly fuel source, as well as to encourage researchers and companies to pursue these very goods, which are the intended results of eco-tariffs.

Nevertheless, as aforementioned, thanks to the eight rounds of GATT, tariffs and subsidies have been significantly reduced or altogether eliminated in world markets, furthering the goals and ideals of free trade, although of course some eco-tariffs have remained in place, as has been found necessary.

## What Happens Next

Still, there are many issues that need to be addressed. For instance, there is the issue of how to cut back on subsidies of goods that harm the environment, such as fisheries that lead to overfishing. Although it would be easy to simply get rid of these subsidies, this could possibly lead to the decline and/or destruction of some fisheries, which would hurt the millions of people who rely on fish for necessary aliments. Therefore, an intricate balance must be stricken between mitigating/ceasing overfishing and not depriving people of their daily diet.

Furthermore, the debate on eco-tariffs remains alive and well. Do member nations keep them, even though they have mostly proven to be ineffective? What alternatives exist?

Should the Kyoto Protocol be extended, or is it perhaps time to give up on international regulations on pollution-reduction when most countries are projected

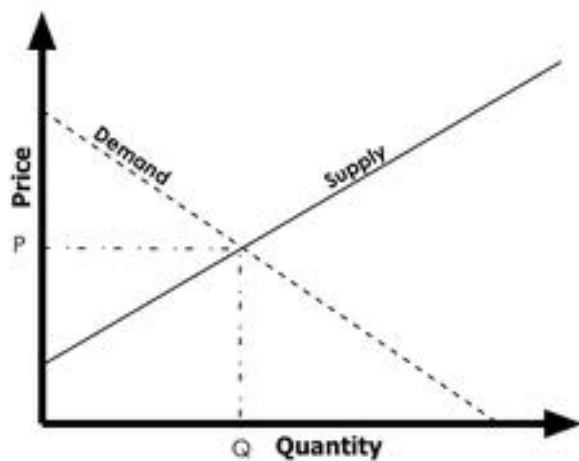
to fail in regards to their agreements in the protocol and the biggest polluter, the United States, refuses to participate in the first place? Or, do more exigent agreements need to be made, those that would necessarily include the United States, as well as perhaps even developing countries, so as to bind every member state by the same environmental standards?

## References/Further Reading

[http://www.wto.org/english/tratop\\_e/envir\\_e/envir\\_e.htm](http://www.wto.org/english/tratop_e/envir_e/envir_e.htm)  
<http://www.un.org/millenniumgoals/environ.shtml>  
[http://assets.panda.org/downloads/eu\\_fisheries\\_subsidies\\_2006.pdf](http://assets.panda.org/downloads/eu_fisheries_subsidies_2006.pdf)  
<http://overfishing.org/>  
[http://unfccc.int/kyoto\\_protocol/items/2830.php](http://unfccc.int/kyoto_protocol/items/2830.php)

## Concluding Note

Please use these background guides as a *preliminary tool* in your research of the two topics for your specific country. Due to space regulations, and just the basic fact that you should do your own research, this background guide is by all means short and concise, as well as *definitely lacking in all areas*. The holes that you find in this guide are meant to act as room for debate.

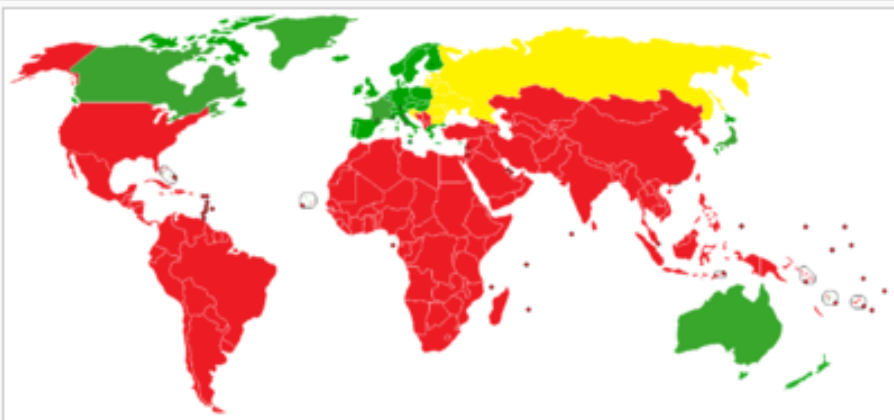


## Overfishing: to continuously catch more fish than the system can naturally produce.

Worldwide about 90% of the stocks of large predatory fish stocks are already gone. Forever.  
That includes tasty dinner favourites like **tuna** and **cod**.



**In 1900 our oceans contained at least six times more fish than in 2009.**



Overview map Of States obligated by the Kyoto Protocol as of 2010.

Green countries = Those of the Annex I countries who are fully obligated (also called Annex II countries).

Yellow countries = Annex I countries who only are obligated within some freedom as to their requirements in the protocol. Also called Countries with Economics in Transition (EIT).

Red countries = are not obligated by the Kyoto Protocol. Are either countries who have Non-annex 1 status in the protocol, and thereby are not obligated or countries that have not signed the protocol yet<sup>[1]</sup>

# The 36 'Kyoto' countries: what they promised and how they're doing

