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The World Trade Organization

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Committee: The World Trade Organization (WTO)
Topic A: Addressing the impact of member nations withdrawing their participation from trade treaty organizations
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I. Committee Background

The World Trade Organization (WTO) is an intergovernmental organization that regulates international trade. Its main purpose is to ensure the smooth and free flow of trade between nations, which includes increasing trading opportunities, facilitating negotiations and upholding trade agreements. It was established in Geneva, Switzerland on January 1st, 1995 and has henceforth gained 164 member countries. Its predecessor is the General Agreement on Tariffs and Trade (GATT) which was inaugurated in 1948; it is considered a failed attempt at creating an international trading organization. Currently, the WTO is working on the Doha Development Agenda (DDA), which is a series of 21 subjects regarding commerce negotiations and agreements. It was officially launched in Doha, Qatar in November 2001. Its prime objective is to improve the intercontinental trading system by lowering barriers and instituting new rules to preserve trade policies. Over the past 20 years, the WTO has strengthened the foundations of the trade system, deepened commerce integration through stricter rules and nether barriers, broadened cooperation with other international organizations, enhanced public outreach, increased participation and expanded its membership (About WTO, WTO, 2018).

II. Topic information

A) History of Topic

Trade agreements are created in order to facilitate commerce between nations. These agreements have existed since the early 1800s. It is important to note the difference between a trade treaty and a trade treaty organization. Trade treaties or agreements are simple; they are merely operational as long as they benefit the countries involved. On the other hand, trade treaty organizations call for regular meetings between the member countries in which they adjust their regulations so that every nation receives the most out of the agreement; they chiefly require a long-term commitment. They are established with the objective of liberalizing and managing trade between countries. There are several aspects that have increased their significance, such as globalization, industrialization and advanced outsourcing. Trade organizations have also started justice movements to improve social, labor and environmental standards. Prominent organizations include the World Trade Organization, the European Union, Mercosur, the Eurasian Economic Union, the Economic Community of West African States and the Central American Integration System (Johnson, Investopedia, 2016).

The primary motives of nations when entering or creating trade treaty organizations are to broadly benefit themselves, usually with international and economic growth, access to higher-quality and lower-priced goods, the growth of globalization and the increase of sales and profits. Countries may also agree to enter treaties in order to ensure good relationships with other nations, which is advantageous when creating alliances (Boudreaux and Ghei, Mercatus Center, 2017). Regardless of the advantages, there are times in which a member nation may decide to withdraw their participation from an organization for reasons such as politics, religion, economic stability, and benefits or lack thereof. A variety of effects ensue from a country's pull

out, such as the instability of exportation costs, renunciation of a role in shaping the 21st century's global trade and possible isolationism (Wagner, The Huffington Post, 2017). In some cases, leaving a trade treaty also implies creating a new currency or re-establishing a former one (Athanassiou, European Central Bank, 2009). Just as creating or entering a treaty strengthens ties among nations, terminating or withdrawing from the aforementioned may complicate relations and change the public's opinion of a nation.

There have been several cases where member nations have pulled out from trade treaties, including the withdrawal of the United States (US) from the Trans-Pacific Partnership (TPP). In March 2017, US President Donald Trump signed an executive order to remove the country from the TPP and declared a termination of multinational trade agreements. He made this decision by claiming that remaining part of it would hurt American workers and undercut US companies; in the end, he did what he thought was best for his country. Notwithstanding, other sources claim that his decision was not well informed, inasmuch as staying would have continue to increase US exports and economic growth. The US removal from the TPP caused feelings of uncertainty amongst US allies about the reliability of the country regarding foreign and economic matters. Basically, this action will not only affect the United States, but it will also impact global trade and all the other countries that are still associates of the trade agreement (Solis, Brookings, 2017).

Under international law, a nation may withdraw from any international agreement either on the authority of the set arrangements of the agreement or with the approval of all parties; most modern agreements include adjustments that specify the conditions of withdrawal, from which every member nation must agree to before fully pledging to the agreement. Under the Vienna Convention on the Law of Treaties, international agreements can be terminated through an act declaring it invalid,

terminating, withdrawing from or suspending the operation of a treaty according to its arrangements (UN, 2018). The only exception to withdrawing from a treaty while not in accordance with its arrangements is when critical events—like a fundamental change in circumstances—give rise to the right to withdraw. The process of a country officially withdrawing from a trade treaty takes effect twelve months after the initial notice is received by the Secretariat (Kapteyn, ed., *International Organization and Integration*, 1983). Political commitments are not legally binding between nations, so a party can withdraw at any time without breaking the international law regardless of whether the commitment contains a withdrawal condition or not. Although this withdrawal may not be considered a legal violation, the withdrawing party still may face the possibility of political consequences and responsive actions from its international counterparts (Mulligan, Congressional Research Service, 2017).

Countries leaving trade organizations can negatively influence the economies of other countries. Apart from the withdrawal from the Trans-Pacific Partnership, Trump has threatened to leave the World Trade Organization, in which the United States played a leading role in creating and fostering. Nevertheless, he argued that the WTO and the trade deals were a disaster; either they will renegotiate, or they are going to pull out. When sources found out about this, many reports said that the WTO ought to bring many critical consequences to the US. Its withdrawal would spend 60 years of trade diplomacy which could result in catastrophic repercussions. US exporters would lose critical market access around the world, other countries could raise tariffs against them, steal their intellectual property rights and risk losing MFN (most-favored-nation) status and rights with many nations. As the world's largest exporter, with more than two-trillion per year, and its biggest importer, the United States is the greatest recipient of the WTO; its withdrawal would hand over the leadership of the world trading system to China, which is a major concern. The US' take off could impact other countries in diverse manners, but mostly, it would, sure enough, undermine the incremental

progress that has been made in the past several years—and certainly over the past several decades—of global trade governance (World Economic Forum, 2016).

B) Current Issues

United Kingdom: The United Kingdom (UK) participates in the free trade agreements of the European Union (EU) and the European Free Trade Association (EFTA), and is a member of the World Trade Organization. As a member of the European Union, British businesses benefit from having the capacity to trade easily within a single market, and with other countries as well. This provides UK businesses with easier access to one-third of the world's market by value and could increase to two-thirds of the trade deals with Japan and the US are completed. Those in the UK who support leaving the EU (Brexit), do so on the basis that it would be able to increase its access to global markets. The EU and its trade deals currently make up 60% of all UK trade, and it would rise to 88% if all the deals that are currently under negotiation are achieved. There has been the progress of concluded deals with Singapore, Ecuador, Canada and Vietnam, and with the agreement to start negotiations with New Zealand and Australia. The UK has no significant trade or investment barriers, as well as no restrictions on the transfer of capital or repatriation of profits (CBI, 2017).

Bahrain: Bahrain is the 60th largest exporting economy in the world today. It exported US$12.6 billion and imported US$11.5 billion in 2016, which resulted in a positive trade balance of US$1.09 billion. In 2016, the GDP of Bahrain was US$31.9 billion and its GDP per capita was $22.4 thousand. The top export destinations of Bahrain are Qatar, the United States, Saudi Arabia, the UAE, and Japan. The top import origins are the United Kingdom, Japan, China, the UAE and the US. Currently, Bahrain has free trade agreements in place with Singapore, Iceland, Liechtenstein, Norway, and Switzerland. It is currently focused on reinforcing trade relations with other Middle Eastern nations

and expanding into lucrative Asian markets such as China, Japan, and South Korea (Bahrain, The Observatory of Economic Complexity, 2018).

Canada: Canada's productivity performance has improved due to trade and trade-enhancing policies; especially in the manufacturing sector. Many of Canada's most recent free trade agreements (FTAs) go beyond traditional trade issues that cover areas such as services, intellectual property, investment, e-commerce, labor and the environment. Canada has 14 free trade agreements in force and is an original member of the World Trade Organization. It also forms part of the Trans-Pacific Partnership (TPP), which is a proposed deal currently being negotiated between 11 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. If Canada concludes an agreement with the 10 remaining members of the Trans-Pacific Partnership (TPP) it will have free trade with more than 60% of the global economy. This would give Canadian companies preferential access to nearly 90% of the currently existing export markets. With a rapidly growing middle class in Asia, new trade opportunities are emerging for Canadian companies every day. To ensure that Canadian companies are well positioned to succeed within this growing territory Global Affairs Canada (GAC) launched preliminary discussions for a possible Canada-ASEAN (Asian region) free trade agreement. Furthermore, it has recently concluded exploratory discussions with China; Canada's second largest trade partner (Export Development Canada, 2017).

China: The Chinese government regards free trade agreements as a new platform for opening up to other nations and speeding up domestic reforms. Additionally, the government considers it an effective approach to incorporate China into the global economy and use this as a way to fortify economic cooperation. Currently, China has 19 FTAs in the works. So far, this nation has signed and implemented 14 agreements (China FTA Network, 2018). China's FTA partners are: ASEAN, Singapore, New

Zealand, Pakistan, Costa Rica, Chile, Peru, Iceland, Switzerland, Hong Kong, Macao, Taiwan, Korea and Australia. China has been the world's largest exporter of goods and services since 2008. In 2016, it made US$2.1 trillion in exports and US$1.3 trillion in imports. Exportations expanded annually in November; 2017 coming above October's 6.9% increase, and a 5.3% rise from analysts' expectations. This has increased interest in China's stable economy and has helped it expand rapidly into the global market (China, The Observatory of Economic Complexity, 2018).

Pakistan: Pakistan has free trade agreements with Malaysia, Sri Lanka, and China. It is also a part of the South Asian Association for Regional Cooperation (SAARC), which is comprised of eight member states: Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka; nonetheless, it favors trade agreements with Iran and Mauritius. In 2016, Pakistan exported US$20.5 billion worth of goods, making it the 54th largest exporter in the world. The top exports of Pakistan are linen, rice, suits, pure cotton yarn and pure woven cotton. Its top imports are refined petroleum, crude petroleum, palm oil, petroleum gas, and cars. However, over the past five years, Pakistan's exports have steadily decreased, from US$29.1 billion in 2011 to US$20.5 billion in 2016 (Pakistan, The Observatory of Economic Complexity, 2018).

Germany: This nation was the world's largest exporter from 2003 to 2008. The economy of Germany is a highly developed technological market; most of the country's exports are in engineering, especially machinery, automobiles, chemical goods, and metals. Contemporarily, Germany has the largest national economy in Europe and the fifth-largest by nominal gross domestic product (GDP) in the world. In 2017, the country accounted for 28% of the euro area economy; it exported goods to the value of US$1.57 trillion and imported goods to the value of US$I.27 trillion in 2017. Germany is a founding member of the European Union and joined the WTO on January 1st, 1995 (Germany, The Observatory of Economic Complexity, 2018).

C) UN Action

Regardless of the UN encouraging nations to join trade agreements in order to boost worldwide relations and economy, it does not have power over any specialized organizations. It is affiliated with some such as the WTO but does not play any role in internal decision-making. In spite of the UN holding a negative stance regarding pull-out, it is firmly neutral about reproaching member nations that choose to do so, as it believes entirely legal for a country to leave a trade treaty or trade organization if such process was specified upon creation. International trade is essential for the growth of globalization; benefits of international trade have been the major drivers of growth for the last half of the 20th century, as nations with strong international trade have become prosperous and have the power to control the world economy (Economy Watch, 2017). The UN is flawed in the prospect of keeping matters that way, as it has no definitive power over nation's decision to exit agreements. One example is the US's withdrawal from the Paris Agreement, a treaty within the United Nations Framework Convention on Climate Change (UNFCCC) dealing with greenhouse gas emissions mitigation, adaptation, and finance. Nevertheless, the UN does an effective job of keeping countries from withdrawing from itself. The United Nations charter deliberately does not contain a clause on withdrawal — meaning, there are no written instructions or process on exiting the UN — with the intention of discouraging nations from pulling out to eschew UN obligations. Moreover, it believes that a withdrawal goes against the UN's core aim of unity (Kulpa, Legal Cheek, 2017). The reason countries are so inclined to remain, members of the United Nations, is because they believe that, at their core, they will benefit greatly from it. One way the UN could gain the power to impede nations from quitting trade organizations would be to give them an incentive to stay or otherwise integrate trade organizations officially into the main body of the United Nations and therefore obtain the right to participate in decision-making to some extent

III. Conclusion

Trade treaty organizations exist in order to facilitate trade between nations and to encourage positive relations. They offer members special privileges such as tax breaks and protection. While membership in trade treaty organizations is not legally binding, withdrawal from these organizations is not encouraged. This is because that withdrawal may hurt the economy of other nations, slow down the flow of trade, damage international relations between countries and occasion disputes. Countries may decide to leave a trade treaty organization because they feel that their needs are not being met or they are unhappy with the current agreements. In order to address this issue, the WTO and the UN must find ways to encourage membership in trade treaty organizations, as well as negotiate ways nations can exit these treaties without hurting other member nations. If this is not addressed soon, relations between countries may become strained and result in diplomatic disputes.

IV. Essential Questions

1. What are trade treaties?
2. What is a trade treaty organization?
3. Is your country a member of a trade treaty organizations? If so, which ones?
4. What is the biggest benefit your country gets from being part of a trade treaty organization?
5. Has your country suffered repercussions for being part of a trade treaty? If so, what type of consequences did it suffer?
6. Are there any international laws or conventions that regulate trade treaty organizations?

7. Are there any legal consequences for a country withdrawing its participation from trade treaty organizations? If so, what are they?

8. How do trade treaties and trade organizations impact global peace and security?

V. Resources

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