

WTO

and

International Agreements

Our Food:

Food Safety and Control System

Global Corporations

The view of business

According to Peter Dicken (University of Manchester, UK), most writers on globalization project a highly simplistic conceptualization :

- The hyper-globalists of the populist business literature to the
- The anti-globalization movements.

The view of business

One claims of hyper-globalists in business is that international firms are inevitably abandoning their ties to their country of origin and converge towards a universal global organizational form.

Global Corporations

The view of business

Kenichi Ohmae (1990)

- “Country of origin does not matter. Location of headquarters does not matter. The products for which you are responsible and the company you serve have become denationalised.”

Global Corporations

The view of anti-globalizers

Other ideas

- Developments in the world economy have created a 'global surface' on which a dominant organizational form will develop and wipe out less efficient competitors who are no longer protected by national or local barriers. Such an organization is 'placeless' and 'boundry-less'.
- TNCs (transnational corporations) are often compared with nation-states in order to demonstrate that TNCs have become more powerful than states.
- Of the 100 large economics in the world, 51 are corporations and only 49 are countries.
- General Motors is now bigger than Denmark, DaimlerChrysler is bigger than Poland, Royal Dutch/Shell is bigger than Pakistan.
- The 1999 sales of each of the top five corporation (General Motors, Wal-Mart, Exxon Mobil, Ford Motor and DaimlerChrysler) are bigger than the GDPs of 182 countries.

Global Corporations

The view of Peter Dickens

- These figures do not tell us much about the globalness of corporations.
- Peter Dicken comes to the conclusion that place and geography still matter fundamentally in the way in which firms are produced and in how they behave.
- Despite the unquestioned geographical transformations of the world economy, business does not converge towards a single 'placeless' type.
- Different forms of economic coordination and governance cannot easily be transferred from one society to another for they are embedded in social systems of production distinctive to their particular society.

Global Corporations

The view of Peter Dickens

- Economic performance is shaped by the entire social system of production in which firms are embedded and not simply by specific principles of management styles and work practices.

According to Dickens:

- The differences of firms from different geographical context have enormous implications for economic development policy at national, regional and local levels.
- He calls for meticulous comparative international analysis of firm-place relationship.
- Transnational corporations are not placeless; 'global' corporations are, indeed, a myth.

Instruments of economic regulation

The three most important instruments of economic power are

- The World Trade Organisation (WTO),
- The World Bank
- The International Monetary Fund (IMF)

World Trade Organization

WTO

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations.

The goal is to help producers of goods and services, exporters, and importers conduct their business.

- 1948 - GATT (General Agreement on Tariffs and Trade) preceding WTO.
- 1995 - WTO by the Uruguay Round negotiations (1986-94).
- GATT had mainly dealt with trade in goods.

WTO and its agreements now cover trade in services, and in traded inventions, creations and designs (**intellectual property**) **TRIPS**.

The function of the WTO

The WTO provides the forum for negotiations among its Members concerning their multilateral trade relations

- The WTO administers the Trade Policy Review Mechanism (TPRM) .
- The WTO cooperates with the International Monetary Fund and with the International Bank for Reconstruction and Development.

Administering WTO trade agreements

- The World Trade Organization (WTO) deals with the rules of trade between nations which were negotiated by governments.

The function of the WTO

- These agreements and annexes deal with the following specific sectors or issues:

For goods (under GATT)

Agriculture

Health regulations for farm products

Textiles and clothing

Product Standard (TBT)

Investment measures

Customs valuation methods

Preshipment inspection

Rules of origin

Import licensing

Subsidies and counter measures

For services (the GATS annexes)

Movement of natural persons

Air transport

Financial services

Shipping

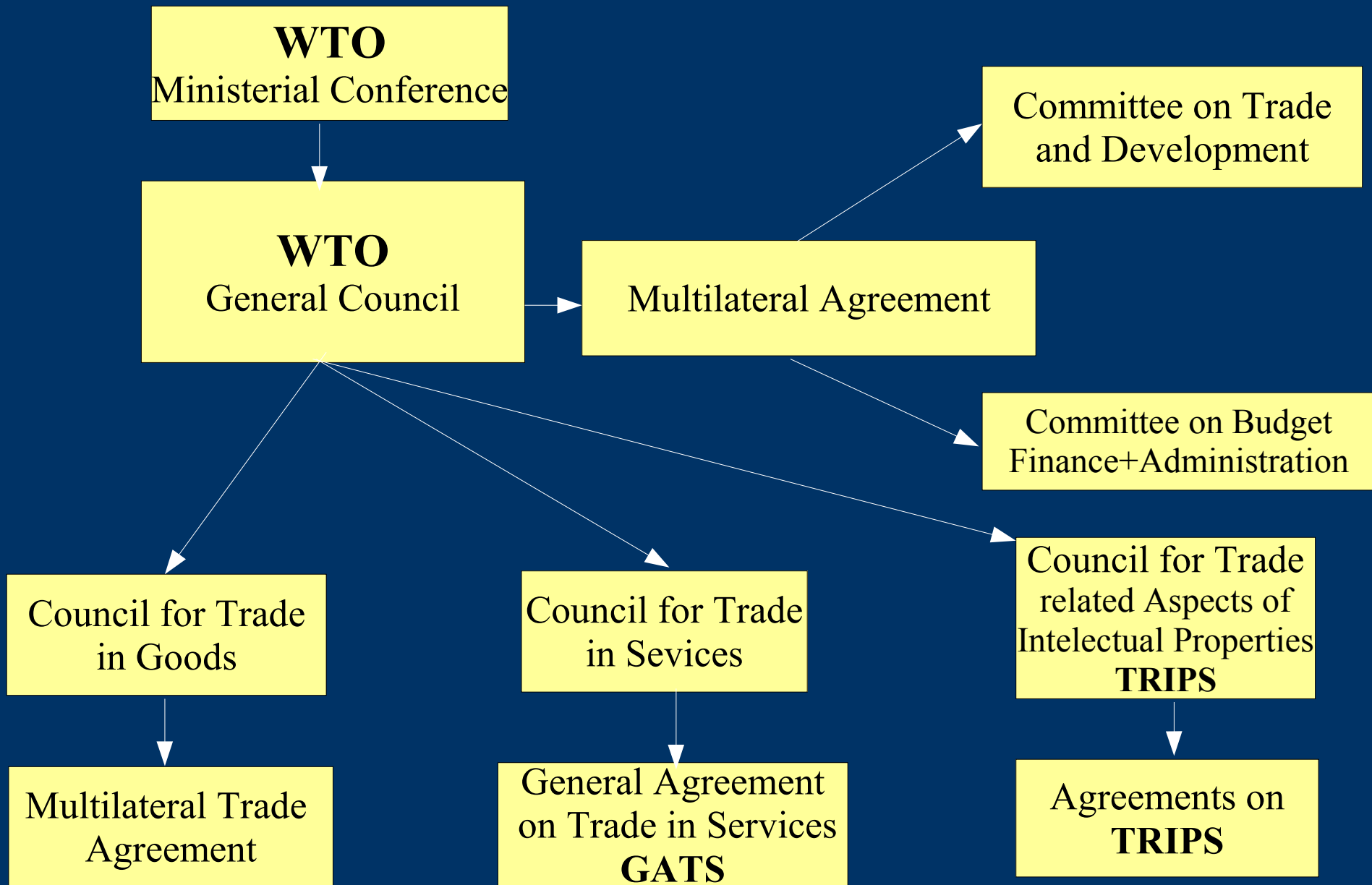
Telecommunications

Other services of the WTO

Forum for trade negotiations: The WTO agreements are negotiated and signed by the bulk of the world's trading nations.

Handling trade disputes: The most harmonious way to settle these differences is through some neutral procedure based on an agreed legal foundation.

- The WTO is currently the host to new negotiations, under the “Doha Development Agenda” launched in 2001.



World Trade Organization

WTO

The Ministerial Conference: It is composed of representatives of all the Members, carries out the functions of the WTO and takes actions necessary to this effect. It meets every two years.

The General Council: It is composed of representatives of all the Members. It conducts the functions of the Ministerial Conference during the intervals between meetings of the Ministerial Conference.

Decision-Making: At meetings of the Ministerial Conference and the General Council, each Member of the WTO has one vote. The European Community has a number of votes equal to the number of its member States.

WTO Related Agreements

- List of Agreements establishing the WTO
- Multilateral Agreements on Trade in Goods
- General Agreement on Tariffs and Trade 1994.
 - Article 20 of the General Agreement on Tariffs and Trade (GATT) allows governments to act on trade in order to protect human, animal or plant life or health. This is the article on which the European ban of hormone meat and GMOs is based.
- List of Annexes of the Agreement on Trade in Goods
- **International standards:** An annex to the Sanitary and Phytosanitary Measures Agreement cites standards which are to be used in connection with trade matters:
 - The Codex Alimentarius for food.
 - The International Animal Health Organization for animal health.
 - The FAO's Secretariat of the International Plant Protection Convention for plant health.

World Trade Organization

WTO

The Sanitary and Phytosanitary Measures Agreement or SPS) sets out the basic rules.

- It allows countries to set their own standards. But it also says regulations must be based on science.
- Member countries are encouraged to use international standards, guidelines and recommendations where they exist.
- However, members may use measures which result in higher standards if there is scientific justification. They can to some extent apply the “precautionary principle”, a kind of “safety first” approach to deal with scientific uncertainty.

World Trade Organization

WTO

- If an exporting country can demonstrate that the measures it applies to its exports achieve the same level of health protection as in the importing country, then the importing country is expected to accept the exporting country's standards and methods.
- The Codex published voluntary standards for the hygienic and nutritional quality of food, food additives, pesticide residues, labeling and methods on analysis and sampling.

World Trade Organization

WTO

The Sanitary and Phytosanitary Measures (SPS)

- The Sanitary and Phytosanitary Measures (SPS) document was created in 1987 by the U.S. Codex delegation.
- These developments were stimulated by the chloramphenicol ban that certain U.S. States placed in the mid 1980s and the current hormone ban negotiations between Europe and the U.S.
- The WTO agreement on the SPS and the Agreement on Technical Barriers to Trade (TBT) recognize the Codex's standards as scientific and use them as a "point of reference".

World Trade Organization

Developing Countries and the WTO System

WTO Sanctions on US

- United States fails to eliminate a tax break. It was declared an illegal export subsidy by the WTO.
- A 5 percent penalty tariff awaits U.S. exports such as jewelry and refrigerators, toys and paper.
- The dollar's sharp decline in value against the EURO, means American goods are cheaper on European markets. That may protect U.S. manufacturers.

World Trade Organization

Export dumping

- The practice of selling products at prices below their cost of production is one of the most damaging of all current distortions in world trade practices.
- The U.S. is one of the world's leading sources of dumped agricultural commodities such as wheat, maize, soybean, rice and cotton.
- Dumping 40% for wheat, up to 30% for corn (maize) and soybeans, cotton 57% in 2001, and rice around 20%.

Brazil is considering a case against U.S. cotton before the World Trade Organization (WTO).

In 2001, Canada briefly imposed both countervailing and anti-dumping duties on U.S. corn imports.

World Trade Organization

Export dumping

WTO wants to address dumping in agriculture following three steps:

- 1 - The elimination of visible export subsidies as quickly as possible.
- 2 - A commitment from exporting countries to keep products priced below the cost of production out of world markets.
- 3 - The publication of annual fullcost of production estimates for OECD countries.

Definitions of Dumping (Art VI of the GATT): There are two common definitions of export dumping contained in Article Six of the General Agreement on Tariffs and Trade (GATT).

First definition of dumping: Export of a product at a price below the normal selling price in its domestic market.

Second definition of dumping: Export dumping is said to exist if the export price is less than the "constructed" value of the product. (Cost of production paid by the farmer, by the government, the cost of transportation and reasonable selling cost and profit).

World Trade Organization

- Agricultural production is rarely priced in an open market and so often qualifies for the second definition of dumping.
- Market prices are also distorted by the presence of oligopolies. A few transnational agri-business firms dominate all agricultural commodity production, transportation and processing in the United States.
- Over 80 per cent of US corn is exported by three firms: Cargill, ADM and Zen Noh.

World Trade Organization

- By far the easiest and most WTO-legal approach is for the importing country to impose countervailing duties to bring the dumping prices up to the cost of production levels.
- The most effective way to end dumping will be to work inside the United States, the European Union, and other major grain exporters to secure legislation that ensures the end of dumping.
- The OECD has to publish each year a full-cost of production estimate, including all producer paid costs, government paid input costs, and the cost of marketing with a fair profit.

World Trade Organization

Fighting against dumping

- Europe has used the so-called Peace clause that was put in place during the Uruguay Round to protect many of its farm industries with hefty subsidies that adversely affected Australian producers.
- Australia, together with Brazil use the end of the clause to particularly target subsidies such as sugar.
- Sugar world prices are low mainly because of the ten-fold increase in exports from Brazil (to over 10 million tons) in the last 10 years aiming to expand its production even further to 50 per cent of the world sugar market.

World Trade Organization

- The three options for change the regime of sugar currently under discussion in Brussels are:
 - Leaving the regime as it is;
 - Providing a price reduction; or
 - Full liberalisation for sugar.
- Full liberalisation would raze the European sugar industry to the ground killing about 75 per cent of the production with massive job losses.

World Trade Organization

The joint paper for Cancun

- The joint framework of EU and US had been presented for the WTO negotiations Cancun meetings, focusing on three areas:
 - domestic support,
 - market access and
 - export competition.
- The EU produces 14 per cent of world sugar production. Without subsidies EU sugar production will collapse in the face of cheaper imports from Brazil, which is now the world's biggest exporter.
- Export subsidies elimination is provided for a common list of products of interest for developing countries.

World Trade Organization

Globalization benefits the shift of production from traditional countries to emerging markets. Here are some examples of transfer of food production to emerging countries:

Soybean: The US share of world soybean production has declined since the early 1990s from about 50 per cent to less than 40 per cent.

Brazil's share increased to more than 25 per cent.

Argentina's share rose to nearly 15 per cent. Similar changes are underway in the processing sector.

Cassava: The staple food for over 500 million people, cassava is a good commercial cash crop and a major source of food security, but it needs a competitive edge to thrive in the global starch market. It is competing with starch from maize, wheat and potato.

World Trade Organization

- Cassava (*Manihot esculenta*) is cultivated for its starchy, tuberous roots that can be processed into tapioca, ground to produce manioc or cassava meal (Brazilian arrowroot), used as animal fodder or cooked and eaten as a vegetable.
- Nigeria came in 2002 in as the largest producer of cassava in the world. But in 2003 despite favourable weather conditions in the country, an outbreak of mosaic disease placed its cassava crop under pressure.

Thailand is the world's leading exporter of aggregate dry cassava products - also known as tapioca - in the form of pellets for the feed industry in USA under a low tariff rate preferential quota.

WTO Agriculture Negotiations

Subsidies

- Subsidies in general are identified by “boxes” : green (permitted), amber (slow down — i.e. be reduced), red (forbidden).
- The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box, is prohibited.

Amber Box: For agriculture, all domestic support measures considered to distort production and trade fall into the amber box. The total value of these measures must be reduced.

34 WTO members such as Argentina, Brazil, Canada , Mexico and EU have commitments to reduce their trade-distorting domestic supports in the amber box.

WTO Agriculture Negotiations

Blue Box: Some countries say the blue box is an important tool for supporting and reforming agriculture and argue that it should not be restricted as it distorts trade less than other types of support.

Green Box: “Green box”, subsidy must not distort trade, or at most cause minimal distortion. They are allowed without limits. Some countries believe that some of the green box subsidies could have an influence on production or prices. Some others have said that the green box should not be changed because it is already satisfactory.

WTO Agriculture Negotiations

- The WTO, the World Bank and the International Monetary Fund try to force the world's acceptance of genetically modified foods and crops.
- The American administration launched in May 2003 a complaint with the WTO against the European Union for its five-year ban on approving new biotech crops.
- The US has so far opposed the Cartagena Protocol on Biosafety (regulating the trade with GMOs) which entered into force in September 2003 and has been signed by over 100 countries.

GATS

- The USA has also avoided to sign the Kyoto Protocol (Convention on Climate Change).
- With the biotech patents coming into force with TRIPs Agreement in 2005, agriculture research in developing countries will not be possible any more.
- The General Agreement on Trade in Services is an agreement of the member states of the WTO opening the world market to an unrestricted competition.
- The states lose most of the means to regulate the market. The European Union has given its consent to the Agreement in the name of all their member states.

GATS

- The General Agreement on Trade in Services (GATS) is an international trade agreement that came into effect in 1995 and operates under the umbrella of the World Trade Organization (WTO).
- In July 2002, the EU presented its requests for improved market access to WTO members.
- The services sector is the most important economic activity in the EU accounting for over two thirds of GDP and employment.
- The requests do not seek to dismantle public services, nor to privatise state-owned companies.

GATS

The main points of critique on GATS are:

- Negative impacts on universal access to basic services such as healthcare, education, water and transport.
- Fundamental conflict between freeing up trade in services and the right of governments and communities to regulate companies.
- A one-sided deal. GATS is primarily about expanding opportunities for large multinational companies.

GATS

- Following the end of WW II, the allies decided that a prosperous and lasting peace depended not only on the creation of a stable international political order based on principles embedded in the United Nations (UN) Charter, but also on the creation of a stable liberal international economic order.
- The twin pillars of the international financial system, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), emerged.

From ITO to GATT

- The trade complement to the post-war international political economy, the International Trade Organization (ITO), was negotiated in Havana, Cuba.
- Political disagreements ultimately spelled the end of the ITO which was transformed into a trade agreement known as the General Agreement on Tariffs and Trade. (GATT)
- Finally at 1986-1994 (Uruguay Round) the GATT 1994 gave origin to the World Trade Organization.
- By the 1970s, the world was falling into a depression/hyper-inflation cycle due to the twin oil price shocks, states began implementing other non-tariff policies (countervailing duties) as a way to protect their industries from import competition.

TRIPs

Intellectual property rights are the rights given to persons over the creations of their minds. There are two main areas of intellectual property rights:

Copyrights: The rights of authors are protected for a minimum period of 50 years after the death of the author.

Industrial property: These are signs, trademarks, geographical indications, design and the creation of technology (patents).

Creators: Creators can be given the right to prevent others from using their inventions, designs or other creations and to use that right to negotiate payment in return for others using them. These are “intellectual property rights”.

TRIPs and software

- For the last few years the European Patent Office (EPO) has granted more than 30 000 patents called "programs for computers".
- To legitimate this practice Europe's patent movement is pressing by writing a new law.
- A directive proposal which actually bans software patents would violate the TRIPs treaty and erases billions in intellectual property granted by the EPO.

TRIPs and software

- But there are some things one should be looking at what is behind 30 000 patents already been granted by the European Patent office:
- Some basic algorithms from software will be patented .

TRIPs

- The mission of the United States of America to the European Union in the paper to members of the European Parliament says that the US warns Europe falling afoul of the TRIPs treaty.
- The European Commission and the US Trade Representative cite in favor of their software patentability proposal: ” Proprietary software directly remunerates those who write programs, and it does this by means of "intellectual property", of which patents are one important kind.”
- The software engineers say that the tools they work with and the basics of their ideas are being patented. The originality of creative work and the freedom of the profession will be destroyed by this regulation.

NAFTA FTA and FTAA

- 1989 U.S. - Canada Free Trade Agreement (FTA).
- 1990-1992 U.S. - Canada – Mexico the North American Free Trade Agreement (NAFTA).
- The Clinton administration proposed expanding NAFTA to whole of Latin America in 1994, the Free Trade Area of the Americas (FTAA).
- The goal of FTAA is to create a comprehensive trading regime, reducing both tariff and non-tariff barriers to trade among the thirty four democratic states of North and South America.
- NAFTA (North American Free Trade Agreement) entered into force in 1994

NAFTA and FTAA

Nine separate trade areas of FTAA are subject to negotiation:

Agriculture, Market Access
Investment
Government Procurement
Services
Dispute Settlement

Intellectual Property
Competition Policy
Subsidies, Anti-dumping
Countervailing Duties

NAFTA and FTAA

Following NAFTA, some U.S. companies found that they could ship a manufacturing phase that was bound by U.S. pollution standards to Mexico where very few standards were to worry about and then ship the part back to the U.S. factory for assembly.

The Free Trade bears danger not only to developing countries, it also outbalances the home labour market and whole agrarian and industrial segments such as soybean moving to Brazil and clothing industry moving to Asia.

- Trade once was based on trading products and not on moving of production and exporting of decent paid jobs to cheaper labor markets. It is a hard task of WTO to eliminate the unevenness between economic regions looking forward to a fair Free Trade.

Environment and Trade

OECD

The Organization for Economic Co-operation and Development (OECD), a multilateral organization composed of members from the industrialized nations looked after the impact on environment caused by the industries on move.

OECD Guiding Principles Concerning the International Economic Aspects of Environmental Policies (1972). It contains the Polluter Pays Principle (PPP).

Environment and Trade

The Montreal Protocol and Convention on International Trade in Endangered Species:

Trade sanctions as punitive measures for non-complying states.

In the 1990s, the General Agreement on Tariffs and Trade (GATT) for Tuna/Dolphin dissent. The WTO had ruled the US policy of banning imports of Mexican tuna which used fishing techniques to catch tuna killing dolphins, followed by the rule against US (1998) to ban on shrimp imports caught without Turtle Excluder Devices.

Environment and Trade

Environmental treaties can be disrupted if WTO rules of trade are used to nullify those environmental enforcement measures under the assumptions that they violate free trade principles.

The Declaration of Doha on Trade and Environment 2001

The Declaration of Doha wants to increment the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs).

World Bank

- The World Bank Group's mission is to fight poverty and improve the living standards of people in the developing world.
- **Education:** Education is central to development. The Bank has committed in loans and credits for education. Other activities are:

HIV programmes

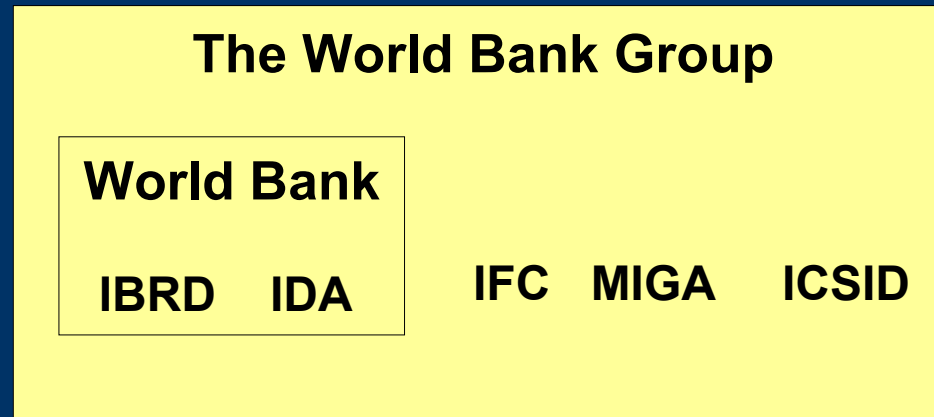
Anti-corruption effort

World Bank

- **Debt reliefs:** In 1996, the World Bank and the International Monetary Fund (IMF) launched the Heavily Indebted Poor Countries (HIPC) Initiative reducing the external debt of the world's 26 poorest, most indebted countries.
- **Biodiversity:** The World Bank is one of the largest funders of biodiversity projects.
- **Environmental assessment:** In addition to environmental assessments and safeguard policies, the Bank's environment strategy focuses on climate change, forests and water resources.

World Bank

Organisation of the World Bank Group: The World Bank Group consists of five closely associated institutions. The term "World Bank Group" encompasses all five institutions. The term "World Bank" refers specifically to two of the five, IBRD and IDA.



IBRD: The International Bank for **Reconstruction and Development** (IBRD) lends to developing countries with relatively high per capita incomes.

World Bank

IDA: The International Development Association (IDA) provides assistance on concessional terms to the poorest developing countries, those that cannot afford to borrow from the International Bank for Reconstruction and Development.

IFC: The International Finance Corporation (IFC) promotes **growth in developing countries** by providing support to the private sector.

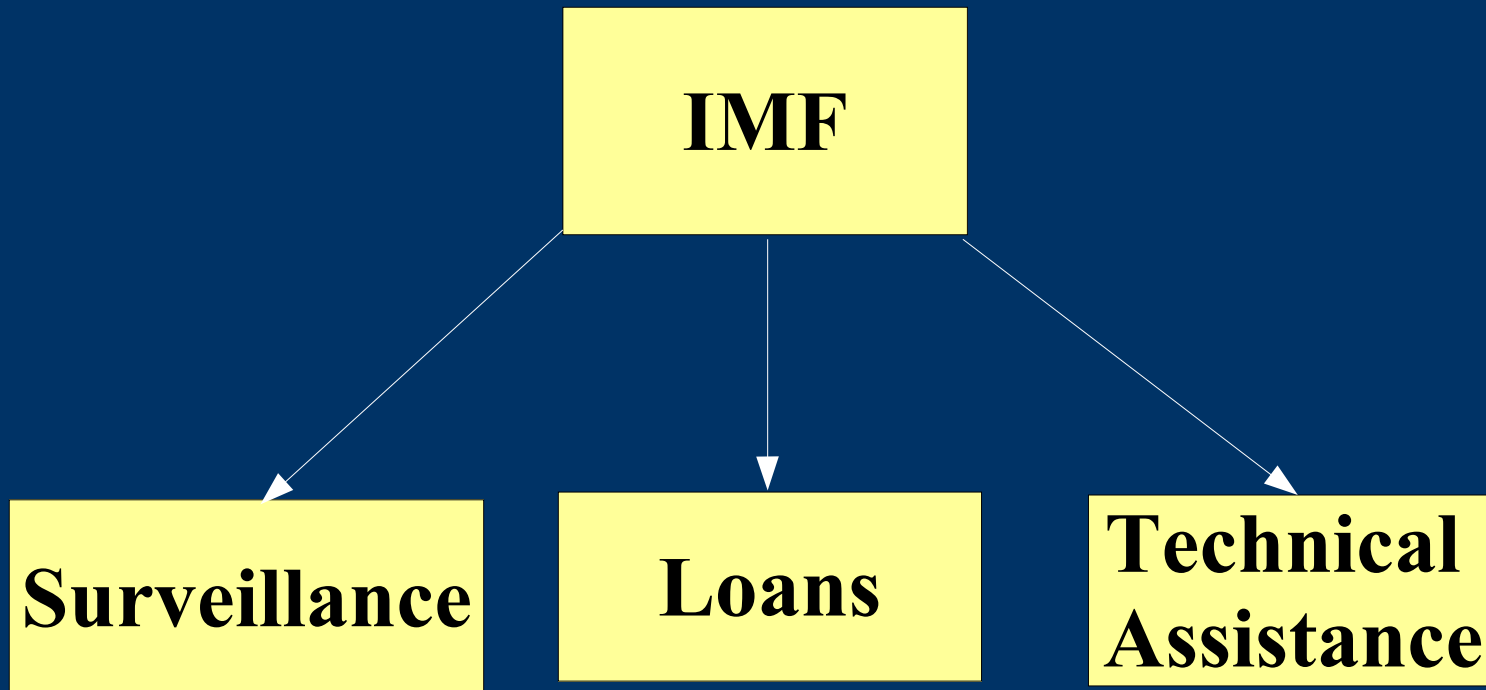
MIGA: The Multilateral Investment Guarantee Agency (MIGA) helps **encourage foreign investment in developing countries** by providing guarantees to foreign investors against loss.

ICSID: The International Centre for Settlement of **Investment Disputes** (ICSID) is an autonomous international organization. However, it has close links with the World Bank. It provides facilities for the conciliation and arbitration of disputes between member countries and investors.

IMF International Monetary Fund

- The IMF was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements.
- The IMF works for global prosperity by promoting the balanced expansion of world trade, stability of exchange rates, avoidance of competitive devaluations, and orderly correction of balance of payments problems.

IMF International Monetary Fund



IMF International Monetary Fund

Surveillance: The IMF plays a key role as standard setter in The Code of Good Practices in Fiscal Transparency, the Code of Good Practices in Monetary and Financial Policies, and the Principles and Guidelines for Insolvency and Creditor Rights Regimes.

Loans: A main function of the IMF is to provide loans to countries experiencing balance-of-payments problems so that they can restore conditions for sustainable economic growth.

OECD

Organization for Economic Co-operation and Development

- The OECD groups 30 member countries sharing a commitment to democratic government and the market economy.
- The Guidelines seek to promote and facilitate companies' contribution to the fight against corruption.
- The anti-corruption content of the Guidelines cover private sector bribery, solicitation of bribes and extortion.
- The standards can be found in other inter-governmental instruments of non-member countries and private associations.
- **OECD Anti-corruption Activities:** The core of the OECD's action against corruption is dedicated to curbing bribery in international transactions.

OLAF

European Anti-fraud Office

The European Commission arrested two officials at the Commission's Directorate General for Agriculture in 2003 alleging corruption and insider trading in the cereal market.

This demonstrates how important the work on anti-corruption and anti-fraud is especially in inter-government and international bodies.