

Understanding Trade Issues

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Some Questions to Answer

- What is the World Trade Organization and Why is it important?
- What are Regional Trade Agreements and Why are there so many? How do they fit into the WTO System?
- What are CPTPP and RCEP and why are they important?

More Questions

- What trade agreements apply to our relationship with China? What agreements does China have with others?
- What trade agreements apply to our relationship with the European Union (EU)? What agreements does the EU have with others

More Questions

- How was NAFTA changed by USMCA?
- Are bilateral approaches to resolve trade disputes the best response?
- Whither the US/China trade war?
- What is the status of US negotiations with Japan, the EU, the United Kingdom, and Kenya?
- Can trade deficits be managed by trade regulation and agreements?

First Some Data

U.S. Exports, Imports, Trade Balances

Trends in Share of World Trade

US Imports 2017 -2019 (\$Billion)

	10 Leading Supplying Nations (\$Billion)			RTA's, FTA's
	2017	2018	2019	
World	<u>2406</u>	<u>2612</u>	<u>2568</u>	
China	526	563	472	RCEP
Mexico	316	349	361	USMCA, CFTPP, EU/Mex
Canada	306	326	327	USMCA, CFTPP, EU/CND
Japan	140	146	147	RCEP, CFTPP
Germany	120	128	130	EU
Rep. of Korea	73	76	80	RCEP, KORUS
Viet Nam	48	51	69	RCEP, CFTPP, EU/VN
Ireland	49	58	62	EU
UK	<u>50</u>	<u>56</u>	<u>60</u>	
ST	1628	1753	1708	
USMCA	622	675	688	
Eur. Union	445	498	525	
RCEP	929	991	928	
CPTPP	901	979	1006	

US Exports

	10 Leading Export Destinations \$ Billion			RTA's, FTA's
	2017	2018	2019	
World	<u>1546</u>	<u>1666</u>	<u>1645</u>	
Canada	282	300	292	USMCA, CFTPP
Mexico	243	265	256	USMCA, CFTPP
China	130	120	107	RCEP
Japan	68	75	75	RCEP, CFTPP
United Kingdom	56	66	69	
Germany	54	58	60	EU
Rep. of Korea	48	57	57	RCEP
Netherlands	41	49	51	EU
Brazil	37	40	43	Mercosur
France	<u>34</u>	<u>38</u>	<u>39</u>	EU
ST	711	768	757	
USMCA	525	565	548	
Eur. Union	227	253	269	
RCEP	352	361	354	
CPTPP	686	741	723	

US Merchandise Trade Balance \$Billion

	2017	2018	2019	18/'19
RCEP	-577	-630	-574	56
China	-396	-443	-365	78
CPTPP	-215	-238	-283	-45
EU	-218	-245	-256	-11
USMCA	-97	-110	-140	-30
Mexico	-73	-84	-105	-21
Japan	-72	-71	-72	-1
Germany	-66	-70	-70	0
Viet Nam	-40	-41	-58	-17
Ireland	-38	-47	-53	-6
Canada	-24	-26	-35	-9
Italy	-33	-33	-35	-2
Malaysia	-25	-27	-28	-1
India	-25	-23	-25	-2
Taiwan	-18	-17	-25	-8
Rep. of Korea	-25	-19	-23	-4
Thailand	21	21	21	0

Trends in Merchandise Trade (Exports)

Exports as Percentage of World Exports			
	<u>1973</u>	<u>2003</u>	<u>2019</u>
United States	12%	10%	9%
Europe	51%	46%	38%
Asia	<u>15%</u>	<u>26%</u>	<u>34%</u>
China	1%	6%	14%
Japan	1%	6%	4%
India	1%	1%	2%
Other	12%	13%	14%

Trends in Merchandise Trade (Imports)

Imports as Percentage of World Exports

	<u>1973</u>	<u>2003</u>	<u>2019</u>
United States	12%	17%	14%
Europe	53%	44%	37%
Asia	<u>15%</u>	<u>24%</u>	<u>32%</u>
China	1%	5%	11%
Japan	7%	5%	4%
India	1%	1%	3%
Other	6%	13%	16%

WTO in Crisis

- Provoked by U.S. blocking appointments of replacement appellate body members
 - Appellate process is now blocked
- There are other issues:
 - Failure in completing negotiations
 - Agriculture, Services, Rules of Origin, new tariff reductions
 - To address new issues – E-commerce, Data storage
 - Developing countries still self-declared
 - China, Brazil, Korea, Singapore, HK, India
 - Special and differential treatment for subsidies
 - State Owned Enterprises (SOE)
 - Transparency not working well
 - 90 countries have never notified
- Director General Resigned effective August
 - 8 candidates to replace

Understanding Trade Issues (WTO – Cont'd)

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World Trade Organization

Created during the Uruguay Round of negotiations under the GATT (1986-1994)

–now 164 members

GATT, 1948-1994 (Provisional Agreement)

–23 original “contracting parties”

GATT, and International Trade Organization (ITO) negotiated between 1946 – 1948

–ITO failed to come into existence

World Trade Organization

- 8 Rounds of trade negotiations under GATT
 - Tariff only (Geneva, Ancey, Torquay, Geneva 1956, Dillon 1960-61)
 - Kennedy Round- tariffs, anti-dumping
 - Tokyo Round - tariffs, Non-Tariff Barrier (NTB) codes
 - Uruguay Round - 12 goods agreements, services, dispute settlement, patents
- Doha Round initiated in 2001
 - Agreement on Trade Facilitation

World Trade Organization

- Single undertaking
- Rules - based
- Transparent, predictable trade system
- Consensus – based ***
- Framework for resolving disputes
- Structure for conducting negotiations

World Trade Organization

- Rules - based
 - GATT, GATS, TRIPS
 - Schedules of commitments
 - 13 Multilateral agreements
 - *Plurilateral* agreements
- Transparent, open, predictable
 - Tariffs as principal protection instrument
 - Notification, review
 - National Treatment

WTO Membership Requirements

- ▶ Trade in Goods
 - 4 GATT Tariff and Agricultural Schedules
 - 4 GATT 1994, GATT disciplines as modified during the Uruguay Round
 - 4 12 Uruguay Round Agreements
 - 4 New Doha Agreement on Trade Facilitation

WTO Membership Requirements: UR Agreements

- Agriculture
- Textiles
- Trade Related Investment Measures
- Customs Valuation
- Pre-shipment Inspection
- Import Licensing
- Safeguards
- Sanitary and Phytosanitary Measures
- Technical Barriers to Trade
- Anti-dumping
- Rules of Origin
- Subsidies and Countervailing Duties

WTO Membership Requirements

- ▶ Trade in Services, General Agreement on Trade in Services (GATS)
 - GATS Schedule
- ▶ Agreement on Trade-Related Aspects of Intellectual Property Rights
- ▶ Dispute Settlement Procedures (possibility of Cross-Retaliation)
- ▶ Trade Policy Review Mechanism
- ▶ Two Optional Plurilateral Agreements
 - Civil Aircraft
 - Government Procurement

Tariff Schedules

- ▶ Country Schedules constitute commitment (binding) to tariff levels no higher than in schedule to all members
- ▶ 99% of Developed Country tariffs bound
- ▶ 61% of Developing Country industrial tariff schedules bound
- ▶ Binding of 100% of agricultural tariffs

Schedule XX - UNITED STATES OF AMERICA

PART I - MOST-FAVORED-NATION TARIFF
SECTION II - Other Products

The notes referred to in columns 2 or 3 are to be found in column 2 immediately following the footnote number.
Please refer to files USANTE01.WK4 to USANTE06.WK4 for general chapter notes.

Tariff item number	Description of products	Base rate of duty			Bound rate of duty		Initial charges
		Ad valorem (%)	Other	U/B	Ad valorem (%)	Other negotiating right	
1	2	3			4		5
							6
2902.20.00	Benzene.....	0.0			0.0		
2902.60.00	Ethylbenzene.....	17.3	+ 1.1¢/kg		0.0 (2)		
2902.50.00	Styrene.....	7.4			0.0		
2917.14	Maleic anhydride:						
2917.14.10	Derived, in whole or in part from benzene or other aromatic hydrocarbons.....	15.6	+ 2.2¢/kg		6.5 (2)(6)		
2917.14.50	Other.....	4.2			4.2		
2902.11.00	Cyclohexane.....	12.5	+ 2¢/kg		0.0 (2)		
2902.70.00	Cumene.....	0.0			0.0		
3903.20.00	Styrene-acrylonitrile (SAN)	9.1	+ 1.1¢/kg		6.5 (6)		
3903.30.00	Acrylonitrile-butadiene-styrene (ABS)	9.4	+ 0.7¢/kg		6.5 (6)		
3903.11.00	Expandable.....	9.2	+ 0.9¢/kg		6.5 (6)		
3903.19.00	Other.....	9.2	+ 0.9¢/kg		6.5 (6)		
4002.11.00	Latex.....	0.0			0.0		
4002.19.00	Other.....	0.0			0.0		
2914.22	Cyclohexanone and methylcyclohexanones:						
2914.22.10	Cyclohexanone.....	12.5	+ 2.4¢/kg		5.5 (2)(6)		
2917.12.10	Adipic acid.....	19.8	+ 0.2¢/kg		6.5 (2)(6)		
2914.22.20	Methylcyclohexanones.....	5.9			5.5		
2907.11.00	Phenol (Hydroxybenzene) and its	7.2			5.5		
2907.23.00	4,4'-Isopropylidenediphenol (Bisphenol A,	13.7	+ 3.7¢/kg		5.5 (2)(6)		

WTO (GATT 1994) Articles – Basic Obligations/Benefits

▶ ARTICLE I:	Most Favored Nation (MFN)
▶ ARTICLE II:	Schedules (Tariffs and Other Charges)
▶ ARTICLE III:	National Treatment
▶ ARTICLE X:	Transparency
▶ ARTICLE XI:	Prohibition of Quotas
▶ ARTICLE VI, XVI, XIX	Temporary Trade Remedies
▶ ARTICLE XII & XVIII(B):	Balance of Payments
▶ ARTICLE XXI:	National Security
▶ ARTICLES XXII & XXIII:	Dispute Resolution/Nullification and Impairment
▶ ARTICLES XVII	State Trading
▶ ARTICLE XXIV:	Customs Unions and Free Trade Areas

WTO Agreement on Agriculture

- ▶ Tariff reduction and binding
- ▶ Tariffication of quotas
- ▶ Reduction in domestic support and export subsidy programs
- ▶ Minimum market access
- ▶ Resumption of Negotiations (1999)

Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary Standards (SPS)

▶ TBT:

- ☐ Should not discriminate against imports or raise unnecessary obstacles to trade
- ☐ Regulation/certification procedures no more restrictive than necessary to fulfill legitimate objectives
 - ☐ National security
 - ☐ Health and safety
 - ☐ Protection of environment

Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary Standards (SPS)

- ▶ TBT (continued):

- 4 International standards, presumed to fulfill legitimate objectives

- 4 Transparency, notification

- ▶ SPS:

- 4 Based on scientific principles and risk assessment

Agreements on Import Administration

- ▶ Valuation for Customs Purposes
 - 4 Common rules - Predictability in valuation
 - 4 Transaction value (most of the time)
 - 4 Precedence for determining valuation established
- ▶ Preshipment Inspection
 - 4 Inspection on behalf of governments should not delay/interfere with legitimate trade
 - 4 Binding arbitration

Agreements on Import Administration (cont'd)

- ▶ Import Licensing
 - 4 Publication and notification
 - 4 Automatic (issued in 10 days)
 - 4 Non-automatic
 - é Not create restrictions in excess of intentions
 - é Allocation should be based on published criteria
 - : Take into account past performance

Agreements on Temporary Trade Measures

- ▶ Anti-Dumping (AD)
 - 4 Procedural improvements to Tokyo Round Code requiring:
 - é Greater uniformity
 - : In calculating margins
 - : Assessing injury
 - é Sunset reviews
 - é De minimis margin and volume levels
- ▶ Subsidies/Countervailing Duties (Sub/CVD)
 - 4 Successor to Tokyo Round Code
 - 4 Prohibited, actionable, and non-actionable subsidies

Agreements on Temporary Trade Measures

- ▶ Safeguards
 - Article XIX
 - Negotiations during Tokyo Round not successful
 - Permits temporary (8 year), digressive protection of injured industry
 - First 3 years compensation/retaliation can be avoided
 - Preference for tariff action
 - Export Restraints (ERs) prohibited
 - Selective application possible

Agreement on Trade Related Investment Measures (TRIMS)

- ▶ GATT National Treatment (Article III) and Quota Prohibitions (Article XI) apply to investment policies that affect international trade
 - ☐ Local content requirements
 - ☐ Trade balancing requirements (export = imports)
- ▶ Existing restrictions Notified/Phased out

General Agreement on Trade in Services (GATS)

- The GATS consists of
 - A framework agreement that lays out general obligations for trade in services in much the same way GATT laid out general rules for trade in goods
 - Schedule of market access and national treatment commitment for signatories
 - Annexes on specific sectors particularly air transport and telecommunications

General Agreement on Trade in Services (GATS)

- ▶ Part II (Rules apply to all WTO members)
 - MFN
 - “no less favorable”
 - Annex II exemptions
 - Transparency
- ▶ Part III (commitments to the extent specified in GATS Schedule - treatment of specific services/suppliers)
 - Market Access
 - National Treatment
 - 4 modes of supply

General Agreement on Trade in Services (GATS)

- ▶ Further negotiation of GATS articles
 - Safeguards
 - Subsidies
 - Government Procurement
 - Licensing and Standards
- ▶ Recent service sector agreements
 - Telecommunications
 - Financial Services

Trade Related Intellectual Property Rights (TRIPS)

- ▶ Each member must:
 - Apply IPR conventions (Madrid, Paris, Berne) plus additions to the conventions by TRIPS
- ▶ Key features:
 - Patents
 - Protection at least 20 years from date of filing
 - Broad areas cannot be excluded

Trade Related Intellectual Property Rights (TRIPS)

- ▶ Main features:

- ☐ Trademarks

- ☐ Well known marks must be protected on entry

- ☐ Copyright

- ☐ Economic rights of author and successors

- ☐ Software a literary work

- ☐ Producers of recordings have exclusive rental rights