

General Assembly: World Trade

Background Information

International or world trade has been an integral part of the global economic structure throughout history, influencing global GDP (Gross Domestic Product) and political policies alike. Its economic, social, and political importance has become of even greater importance in more recent decades. World Trade can be broken down into 3 sections; goods, merchandise, and services. As of 2015 growth in the volume of world merchandise trade was projected to pick up only slightly, rising from 2.8% in 2014 to 3.3% in 2015 and eventually to 4.0% in 2016. World Trade opens an avenue for a collective advancement amongst nations; simply by participating in international markets, countries are exposed to other countries' techniques, and have an incentive to pattern after them and improve them. Global trade recorded its highest growth rate in six years in 2017, both in volume and value terms. Merchandise trade volume, as measured by the average of exports and imports, grew by 4.7%, marking the first annual increase more than 3.0 per cent since 2011.

The World Trade Organization

Currently there is only one global international organization dealing with the rules of trade between nations, The World Trade Organization. The WTO est. January 1st, 1995 (formally known as the GATT) is an international entity engaged in establishing and monitoring of the international rules of trade. WTO members are countries that are represented by their respective governments and their authorized representatives. With 164 members the WTO represents 98% of world trade.¹

The WTO is not affiliated with the UN, but they do maintain a strong relationship under the Arrangements for Effective Cooperation with Other Intergovernmental Organizations-Relations Between the WTO and the United Nations².

The tasks of the WTO include the development of trade between countries through the establishment of fair and equitable conditions of competition, lowering tariffs and reduce other barriers in trade through various mutual agreements and numerous other documents regulating the specific matters of trade in goods and services.

The WTO functions on these 3 principles;

1. Organization and maintenance of fair competition through the negotiating process and execution of arrangements, decisions and agreements
2. Liberalization of international trade – steady reduction of justified barriers and removing of unnecessary barriers to trade
3. Reflection of the core requirements of the WTO Agreements in the national legislation of member countries³

¹ https://www.wto.org/english/thewto_e/whatis_e/what_we_do_e.htm

² https://www.wto.org/english/thewto_e/coher_e/wto_un_e.htm

³

https://www.unecce.org/fileadmin/DAM/trade/wp6/AreasOfWork/EducationOnStandardization/Module_12_International_trade_Eng_01.pdf

These 3 principles aim to ensure global trade commences smoothly, freely and predictably. The WTO also aims to ensure a level playing field for all, thus contributing to economic growth and development.

Developing Economies' Participation in World Trade

Certain initiatives are in effect currently which aim to help Developing and LDCs (Least Developed Countries) build trade capacity and infrastructure. Aid for Trade is one of these initiatives; aiming to help developing countries use trade as a means of achieving economic growth and alleviating poverty.

The ISI (International Statistical Institute) lists 141 countries as developing.⁴ The majority of developing countries, including even LDCs, are increasingly participating in these global value chains, with the developing-country share of value-added trade increasing from 20% in 1990 to more than 40% in 2013.⁵ Developing economies accounted for a 43.4% share of the world's total exports, and a 40.9% share of the world's imports in 2015. Developing economies recorded a decline in the value of merchandise trade for the second year in a row, with both exports and imports decreasing by 6 per cent in 2016.

South-South trade which is defined as the exchange of resources, technology, and knowledge from developing economies to other developing economies; continued to grow and to constitute an increasing share of developing economies' exports (approximately 52 per cent in 2014).¹ Since 2010, South-South trade has recorded stronger growth than trade with developed economies.⁶

The G20

The G20 is an unofficial group of 20 national entities. The G20 is comprised Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union. Together these 20 countries make up 85% of global economic output.⁷

Since inception, the recurring themes covered by G20 summit participants have related in priority to global economic growth, international trade and financial market regulation. During a summit in November 2008, the leaders of the group pledged to contribute trillions to international finance organizations, including the World Bank and IMF (International Monetary Fund), mainly for re-establishing the global financial system

The most recent G20 summit was held in 2017 by Germany in Hamburg. Apart from the recurring themes relating to global economic growth, international trade and financial market regulation, the G20 Hamburg summit was expected to focus on the following "issues of global significance": Migration, digitisation, occupation, health, Women's Economic Empowerment and development aid.

⁴ <https://www.isi-web.org/index.php/resources/developing-countries>

⁵ https://unctad.org/en/PublicationsLibrary/diae2013d1_en.pdf

⁶ https://www.wto.org/english/res_e/statis_e/wts2016_e/wts2016_e.pdf

⁷ <https://www.cnbc.com/2018/06/08/difference-between-g7-g8-g20-world-economy.html>

Conclusion

World Trade has been and will continue to be an integral part of society. It's the very foundation on which economies are considered developed or developing. It affects every nation both directly and indirectly. Although there are treaties and initiatives in place regarding world trade there is still much which can be improved on.

Questions to Consider:

1. Should developed economies do more to help developing economies economically?
2. Should global trade be regulated, or should it be free?
3. Should the WTO have more control over world trade?

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