

International Trade and Policy

WEEK 11 – International Institutions and Trade Governance

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Agenda

- Overview of Global Trade Governance
 - The WTO: Principles & Functions
 - Dispute Settlement Mechanism
 - Rounds of Negotiation (GATT to WTO)
 - IMF & World Bank: Roles in Trade
 - Critiques and Contemporary Challenges
 - Conclusion & Q&A
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Why International Institutions for Trade?

- Prevent trade wars and protectionism
 - Create predictable rules for global commerce
 - Resolve cross-border disputes peacefully
 - Assist developing countries' integration
 - Coordinate monetary, fiscal, and trade policies
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The Institutional Architecture

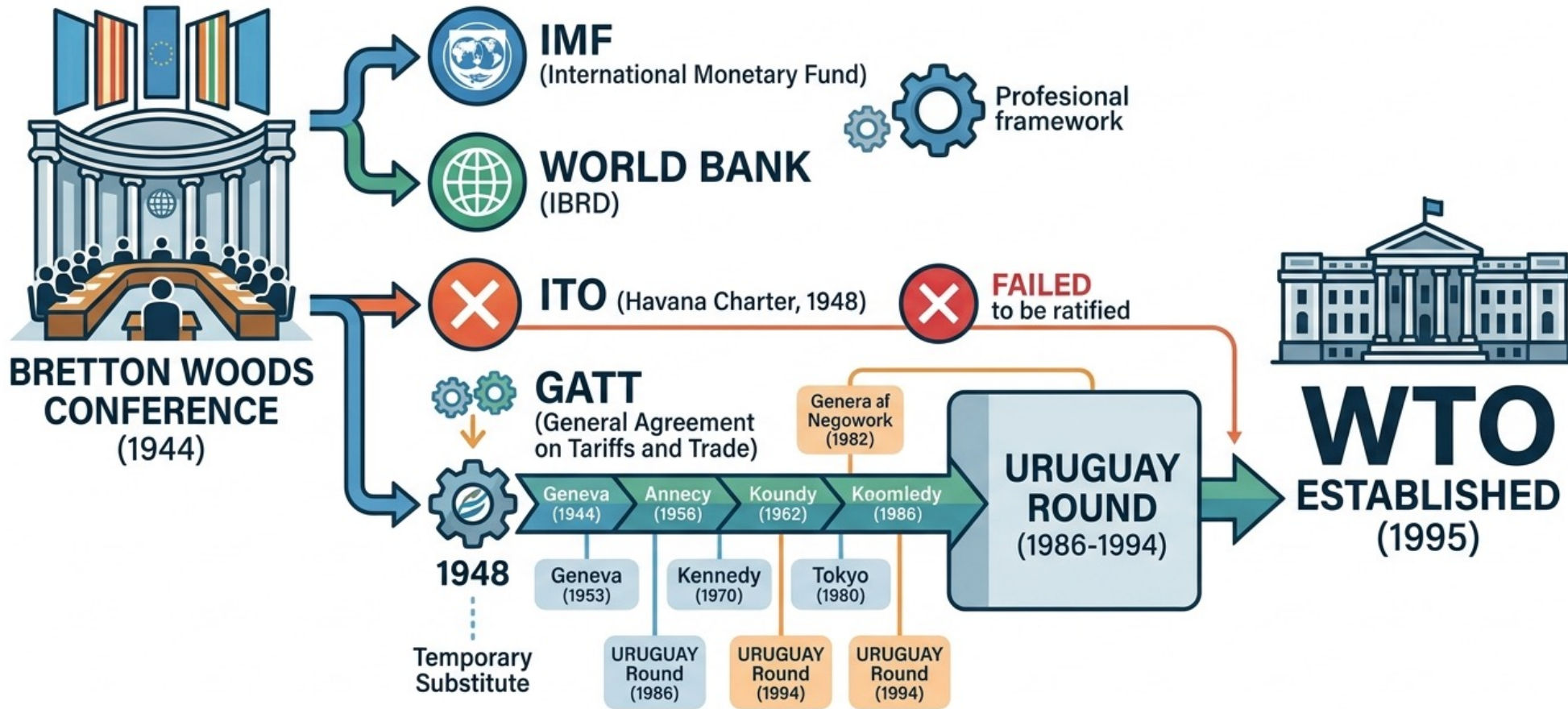
- **Three Pillars:**

1. WTO (trade rules)
2. IMF (exchange rate stability & balance of payments)
3. World Bank (development finance & infrastructure)

- **Shared goal:** Stable, open global economy

Historical Context – Post-WWII

EVOLUTION OF GLOBAL ECONOMIC GOVERNANCE



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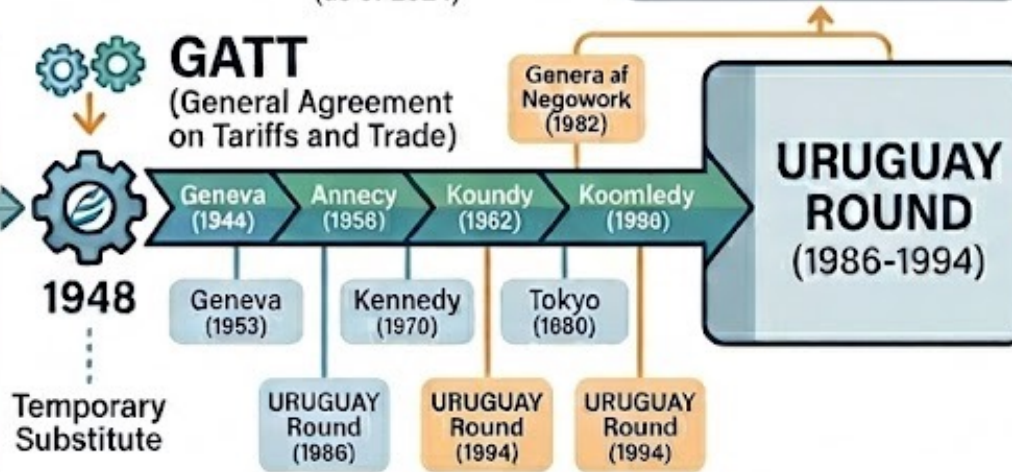
Overview of WTO



MONITORING TRADE POLICIES ✓

NEGOTIATING TRADE
Regular reviews of national trade policies to establishing rules and management (Trade Policy Review Mechanism)

TECHNICAL ASSISTANCE & TRAINING
Supporting poor developing countries to participate in the global trade system



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Section 2: WTO Principles

Core Principles of the WTO

- Non-discrimination
 - Reciprocity
 - Transparency
 - Binding commitments
 - Special and Differential Treatment (SDT)
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Most-Favoured-Nation (MFN)

- Any trade advantage given to one member must be given to all
 - Exceptions: FTAs, preferences for developing countries
 - Article I of GATT
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National Treatment

- Foreign goods, services, IP, once inside the market, treated no less favorably than domestic products
 - Applies to internal taxes, regulations, standards
 - Article III of GATT
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Reciprocity & Binding Commitments

- **Reciprocity:** Mutual opening of markets (especially tariff reductions)
 - **Binding:** Tariff ceilings (“bound tariffs”) cannot be raised without compensation
 - Creates predictability for exporters
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Transparency

- Members must publish trade regulations
 - Notify WTO of changes
 - Trade Policy Review Mechanism (TPRM) – regular reviews of members' policies
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Special and Differential Treatment (SDT)

- Longer transition periods
 - Technical assistance
 - Preferential market access (e.g., Everything But Arms for LDCs)
 - Less stringent dispute compliance rules
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Section 3: Dispute Settlement

WTO Dispute Settlement – Why Important?

- “Crown jewel” of the WTO
 - Binding, rules-based system (unlike GATT’s consensus-based model)
 - Prevents unilateral retaliation
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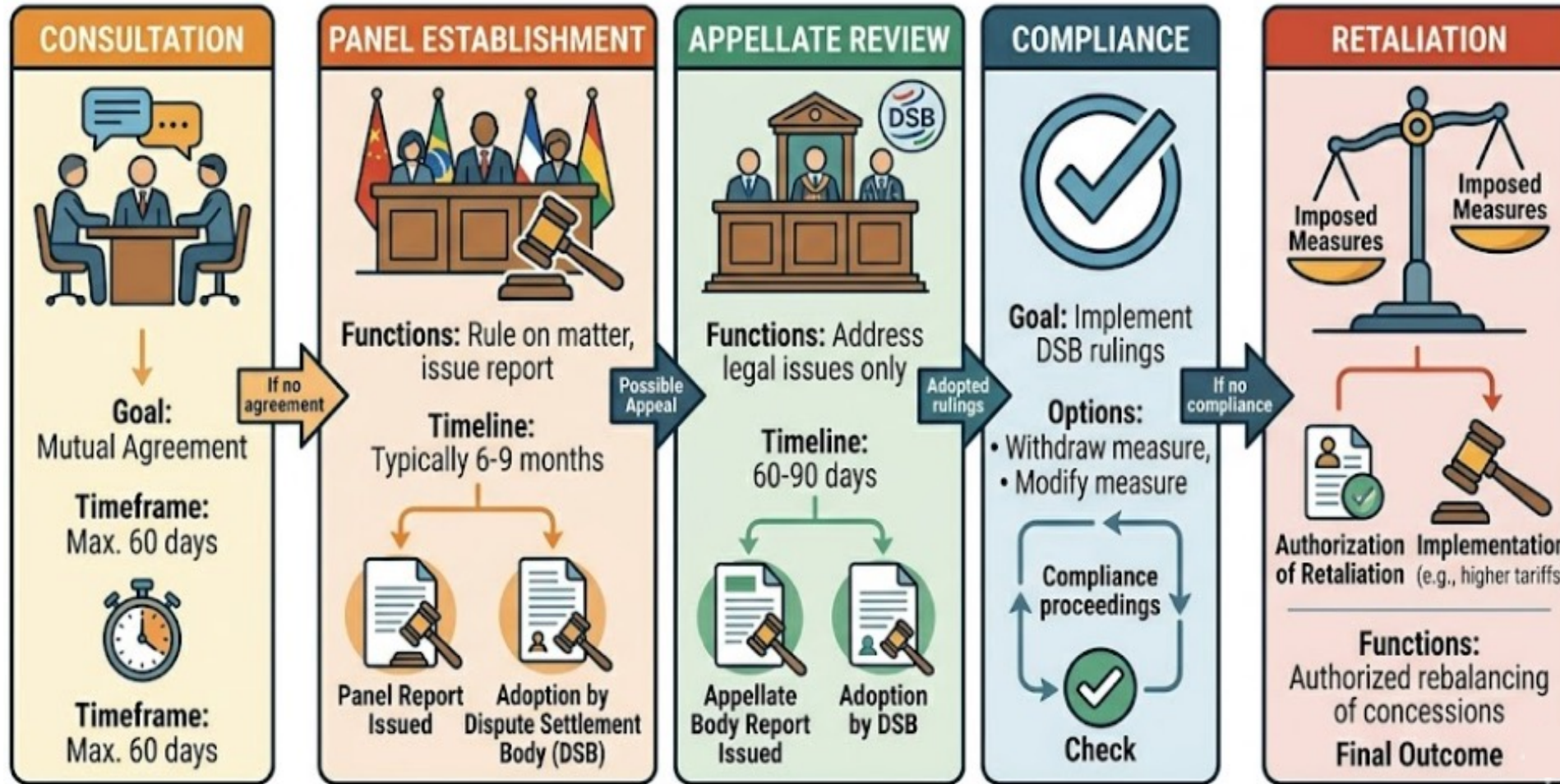
Key Bodies

- Dispute Settlement Body (DSB) – all members
 - Panels (ad hoc)
 - Appellate Body (currently non-functional – crisis)
 - Arbitrators
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Stages of Dispute Settlement

- Consultation (60 days)
 - Panel establishment & proceedings
 - Panel report (6–9 months)
 - Appellate review (if not blocked)
 - Adoption by DSB
 - Implementation & retaliation if non-compliance
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Timeline Graphic



Source: Created by the author

Notable Cases

- US – Steel Safeguards (2003)
 - EU – Hormones (beef dispute)
 - China – Rare earths (2014)
 - Airbus / Boeing subsidy disputes
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The Appellate Body Crisis

- The US has blocked appointments since 2019
 - Remaining judges → no quorum
 - Alternative mechanisms: Multi-Party Interim Appeal Arbitration Arrangement (MPIA)
 - Calls for reform
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Section 4: Rounds of Negotiation

GATT Rounds (1947–1994)

- **Geneva (1947)** – 45,000 tariff lines
 - **Annecy (1949), Torquay (1950), Geneva (1956)** – incremental cuts
 - **Dillon (1960–61)** – EEC negotiations
 - **Kennedy (1964–67)** – Anti-dumping code
 - **Tokyo (1973–79)** – Non-tariff barriers, codes
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The Uruguay Round (1986–1994)

- Most ambitious round
 - Established WTO
 - Expanded scope: Services (GATS), IP (TRIPS), agriculture (AoA), textiles (ATC)
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Key Outcomes of Uruguay Round

- Tariff reductions by 40%
 - Creation of Dispute Settlement Understanding (DSU)
 - Trade Policy Review Mechanism
 - TRIPS minimum standards
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The Doha Development Round (2001–present, stalled)

- Mandate: Development focus
 - Issues: Agriculture (domestic subsidies), NAMA, services, TRIPS & public health
 - Deadlocked over differences between developed & developing countries
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Why Doha Failed

- US-EU agricultural subsidies vs. G20 (Brazil, India, China)
 - Special Safeguard Mechanism for developing countries
 - Lack of political will
 - Rise of mega-regionals (TPP, TTIP) – now mostly superseded
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MC13 (Abu Dhabi, 2024) & Future

- Partial agreement on e-commerce moratorium, fisheries subsidies (Phase 2)
 - No agreement on agriculture, dispute reform
 - Shift toward plurilateral agreements (Joint Statement Initiatives – e-commerce, investment facilitation)
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Section 5: IMF & World Bank Roles in Trade

IMF – Mandate & Trade Linkages

- Surveillance of the global economy & exchange rates
 - Balance of payments financing
 - Conditionality influences trade policies (tariffs, quotas, subsidies)
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IMF's Specific Trade Roles

- Assessing exchange rate misalignment (affects competitiveness)
 - Trade policy reviews as part of Article IV consultations
 - Technical assistance on customs, tariff systems
 - Financing to prevent import compression during crises
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Example – IMF & Trade During COVID-19

- Emergency financing (\$100+ billion)
 - Advice against export restrictions on medical goods
 - Support for vaccine supply chains
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World Bank – Group Structure

- IBRD (middle-income countries)
 - IDA (low-income countries)
 - IFC (private sector)
 - MIGA (political risk insurance)
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World Bank's Trade-Related Activities

- Trade facilitation projects (ports, borders, logistics)
 - Aid for Trade (co-financed with WTO)
 - Support for regional integration (e.g., AfCFTA, ASEAN)
 - Analysis of non-tariff measures
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IMF vs. World Bank – Division of Labor

IMF	World Bank
Short-term balance of payments	Long-term development
Macroeconomic stability	Structural & infrastructure projects
Exchange rates	Trade corridors

Cooperation with WTO

- Joint publications (e.g., “Global Trade & Trade Policy” reports)
 - Technical assistance for developing countries
 - Aid for Trade initiative (WTO, WB, regional banks)
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Case Study – Vietnam's Integration

- WTO accession (2007)
 - IMF-supported reforms (liberalization, FX policy)
 - World Bank infrastructure & trade facilitation loans
 - Result: Export-led growth, poverty reduction
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Section 6: Critiques & Challenges

Critiques of the WTO

- Power imbalances (developed countries dominate)
 - Slow decision-making (consensus, single undertaking)
 - Appellate Body paralysis
 - Neglect of labor & environmental standards (though some progress)
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Section 6: Critiques & Challenges

Critiques of the WTO

- “Washington Consensus” – one-size-fits-all policies
 - Conditionality can worsen inequality, cut social spending
 - Voting shares favor rich countries (US has veto at IMF)
 - Environmental & social harms of large infrastructure loans
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Contemporary Challenges

- Rise of industrial policy & subsidies (US CHIPS Act, EU Green Deal)
 - Climate change & trade (carbon border adjustments)
 - Digital trade & data governance (no WTO rules)
 - Geopolitical tensions (US-China trade war, sanctions)
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Reform Proposals

- WTO: Revive Appellate Body, update rulebook for digital trade, SDT graduation
 - IMF: Increase SDR allocation for climate, reform quota formula
 - World Bank: Evolve mission for global public goods (climate, pandemic preparedness)
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The Future of Trade Governance

- Plurilateral agreements within WTO framework
 - Role of regional trade agreements (RCEP, CPTPP, USMCA)
 - Greater inclusion of civil society & labor voices
 - Adaptation to a multipolar world
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Section 7: Conclusion & Q&A

- WTO remains central but must reform dispute & negotiation functions.
 - IMF & World Bank shape the monetary & development context for trade.
 - All face legitimacy, relevance, and geopolitical pressures.
 - **Key takeaway:** No single institution can govern global trade alone – coordination is essential.
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Thank you!