



TRADE BEAT

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BENEFITS OF THE WORLD TRADE ORGANIZATION (WTO) TO DEVELOPING COUNTRIES



History is proliferated with examples, that trade has taken place throughout much of the human existence. Economists have argued, that once a country can efficiently use its resources to produce items, these are often sold at a cheaper price when compared to other countries which do not have such comparative advantage in producing the same items. This has always been the

stimulant for trade between nations. Countries that do not have a comparative advantage in producing certain items, can trade with those countries that can produce these items more efficiently. It has always been felt by most economists that trade among nations, makes the world better off, as it facilitates an exchange of goods most efficiently produced.

Global Trade has grown and changed over the years, adding some amount of complexity to its practice. As trade moves towards liberalization, it became quite evident that some form of regulatory framework would have to be put in place as a way of ensuring a stable trade and world economic environment. This being the case, the General Agreement on Tariff and Trade (GATT) was signed in the year 1947. The GATT provided an international forum that encouraged free trade between member states, however, it was later replaced by the World Trade Organisation (WTO) in January 1995.



Compared to the GATT, the WTO is more powerful because of its institutional foundation and its dispute settlement system. There have been doubts in the minds of many, regarding the benefits of the WTO and developing nations. The truth is that, the world of trade has changed. According to Bill Clinton, globalization is not a policy choice, it is a fact. He further went on to say nations have choices; they can choose to work to shape these powerful forces of change to the benefit of its nations, or retreat behind walls of protection and get left behind in the global economy. Developing countries have been a part of trade and are well aware that even if it is just to retain benefits from their trading partners, they will have to be a part of the WTO, as these trading partners are themselves members of WTO. Interestingly, developing nations are regarded as a very important group within the WTO, as this group forms about two thirds of the total members of the WTO.

Treatment of developing countries by the WTO

The WTO deals with special needs of developing countries in three ways.

- The WTO has crafted its agreements to include special provisions for developing countries.
- A committee on trade and development has been set up to focus on work in this area in the WTO, with some others dealing with specific topics such as trade and debt, and technology transfer.
- The WTO Secretariat provides technical assistance (mainly training) for developing countries.



Special Provisions for Developing Countries included in WTO Agreement

The “Special Provisions” cited in the WTO Agreements for developing countries include: longer time periods for implementing agreements and commitment, measures to increase trading opportunities for these countries; provisions requiring all WTO members to safeguard the trade interests of developing countries and also support systems that have been put in place to help developing countries build the infrastructure for the WTO work, handle disputes, and implement technical standards.

Not only were these provisions made by the WTO, they were made with a view to strengthen, review and to make these countries more effective and operational.

Benefits of the WTO to the Government, Society, Customs and Importers of Developing Countries

Benefits to Government

The WTO has in place, a trading system that is designed to protect the government of countries that trade with each other. The system has rules that allow for the free flow of goods and services, as well as a constructive outlet for dealing with disputes over trade issues. Consequently, peace is maintained as the system allows a forum for countries to work out any differences they may have on trade related issues. The WTO trading systems has in place rules rather than power, and this makes life easier for member countries. This allows for some amount of equity, as smaller countries can enjoy equal bargaining power. Without rules, powerful countries would be free to impose their will, unilaterally, on their smaller trading partners. Smaller countries would have to deal with bigger trading countries and would be much less able to resist unwanted pressure. This situation however is suppressed because of the rules laid down by the WTO where issues, relating to trade are concerned.

Governments also benefit from the WTO trading system as the system shields their countries from the actions of narrow interest groups. As a result of the Protectionism that dominated the early decades of the 20th Century, the restrictive policies which were developed, turned into a trade war that no one won. It was out of this situation that three important organisations were formed.

- The GATT-WTO
- The International Monetary Fund
- World Bank



Governments need to be armed against pressure from narrow interest groups. The WTO because of its rules in trading, enables government to defend themselves by focusing on trade-offs that are made in the interest of everyone in the economy.

The WTO offers a negotiating forum for government to negotiate trade agreements. Also too, in place are rules that give government a clearer view of which trade policies to accept. Whenever countries are unable to reach any form of settlement regarding trading disputes, this dispute can be referred to the WTO for settlement. A current issue threatening to take the route of going to the WTO can be seen in (article from the Sunday Gleaner dated January 13, 2013). (**“WTO Rum Option still on the table”**)

Benefits to the Society

The WTO creates rules that foster Free Trade. This is evident in the rule that seeks to lower trade barriers through negotiation and the application of the principles of non-discrimination. This would result in reduced costs of production since imports used in production would be cheaper, finished goods and services would also be cheaper resulting ultimately in a lower cost of living.



Due to free trade promoted by the WTO, societies have more choices and a broader range of quality in terms of goods and services to choose from. The fact that competition is in the market place, forces companies to constantly improve and to find better ways of making their products more cheaply, which will result in a win-win for both consumers as well as for these companies. When things in various countries are scarce they can be imported from other parts of the world and international markets are also opened for these home countries' exports, again resulting in increased income for all.



Benefits to the Importers

Under WTO rules, once a commitment has been made to liberalize a sector of trade, it becomes difficult to reverse. This means that there will be greater certainty and clarity about trading conditions for importers. The rules help to reduce corruption and bad governance. These rules also allow for transparency, as government authorities within a country are forced to make available to the public, all information on trade regulations. Another principle of the WTO trading system is trade facilitation through which importers benefit from simplified and standardized customs procedures, the removal of red tape, access to information and other measures to simplify trade.

Benefits to Customs

In the past there has been diversity and inconsistency relating to Customs valuations among countries. The GATT-WTO has eliminated this issue by crafting rules for Customs valuation. Apart from a tax and duty assessment guide, valuation rules are also used by Customs authorities in their administration of non-revenue measures, such as:

- Import quotas based on Customs value.
- Rules of Origin. (for example, a country may allow goods from a specific foreign country to enter free of duty if say 50% of the Customs value of the import is contributed by operations carried out in that foreign country).

Since the WTO is geared towards free trade, if import duties were completely eliminated; the need for Customs valuation rules will likely still exist. An important reason given for this is that a number of countries apply value added tax (VAT), excise or sales tax on imported goods. While Customs authorities are not compelled to use the WTO Customs valuation rules for the calculation of this sales tax, they find them useful to do so.

The WTO has, through its Valuation Committee, crafted a number of rules regarding Customs Valuation that Customs Administrators do follow that are transparent and which conforms commercial reality. It has also set a hierarchy of steps that Customs Administrators can also follow to arrive at the correct valuation method to apply. These established valuation methods have in the past, relieved Customs Administrators from impossible requests made by importers who are of the view that they face unfair trading practices.

While everyone might not agree with everything sets out by the WTO, there are many over-riding reasons why we are better off with the system instituted by this Organisation, than without it.



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