Welcome to the IEC e-learning course.

This is unit 1 of module 11.

The title of this unit is,

World trade
World Trade is highly complex.

Countries all over the world both produce and consume.

Governments are faced with a juggling act. They must simulate the economy by encouraging exports, yet satisfy consumer demand by remaining open and allowing imports.

Their economic strategy has to satisfy competing domestic interests while dealing with world economic factors: political pressure, local industry lobbying, consumer demand, consumer protection, the current unemployment rate, cost of living, balance of trade, the value of the local currency, and so on.

Different governments deal with these factors in different ways, access to markets can vary significantly from country to country.

The three main methods by which access to markets can be restricted are:
• Local and Regional Regulations
• Tariffs, and
• Technical Barriers
World trade involves a balancing act between the needs of individual countries and the needs of the world as a whole.

To create a level playing field in which all countries have an equal opportunity to prosper requires a fair world market with equal access to all players.
In order to ensure a fair world market the World Trade Organization was created. The WTO is an international organization dealing with access to Markets. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. It is a rules-based, member-driven organization — all decisions are made by the member governments, and the rules applied are the outcome of negotiations among members. The WTO is the primary international organization overseeing the global rules of trade between nations.
The WTO basically welcomes all countries of the world. This includes Full Members, Observers in the process of being accepted and simple observers who are not yet candidates. There are also non-members whose negotiations are pending and simple non-members.

Due to the subject and the number of members, the organization is complex.
The World Trade Organization was established in January 1995.

It was a successor body to the GATT, the General Agreement on Tariffs and Trade, and was decided during the so-called Uruguay Round negotiations (1986-94).

The WTO is located in Geneva and its membership continues to increase steadily. The number of Observers in 2013 was 24. Observers must start accession negotiations within five years of becoming observers.

The WTO structure is complex, involving many councils dealing with multiple issues related to world trade. These include…
- Administering WTO Trade Agreements
- Conducting Forums for Trade negotiations
- Handling Trade disputes
- Monitoring National Trade policies
  and so on.
The Council for Trade in Goods manages a number of Committees. One of the Committees deals with Technical Barriers to Trade or TBT for short.

Because the IEC’s activities are well aligned with the goals of this committee, the IEC reports to the TBT committee about its activities.
In the past, to protect their local industry, governments would apply trade barriers.

Initially, they would simply block access to their markets by using regulations to bar entry to products, or by applying maximum quotas or other methods.

Working with many of these governments, over time and for various reasons, the WTO, and its predecessor the GATT, persuaded these governments to eliminate their restrictive regulations.

Some countries then granted access to their markets, but demanded import duties. Their argument was that their domestic industry could not compete with the quality and price of foreign suppliers. They needed to protect their local industry and the jobs it created.

Again, over time, using a stick and carrot strategy, the GATT and the WTO exercised pressure by denouncing such countries as poor global citizens and withdrawing their “most-favored-nation status”. At the same time, they worked to build realization and understanding among countries that while the measures they had adopted were protecting a few select industries, the major part of their population was paying higher prices for inferior goods and their economy as a whole was less well served for the sake of only a portion of industry.
Today it is rare to see governments using restrictive regulations, quotas, import duties and tariffs. Today governments have become more sophisticated.

Justification for an increase in technical regulations stems from claims concerning higher standards of living worldwide, which have boosted consumer demand for safe and high-quality products, and the growing problems of water, air and soil pollution, which have encouraged modern societies to explore environmentally-friendly products.

However, in the absence of international disciplines, a risk exists that technical regulations and standards could be adopted and applied solely to protect domestic industries.

The Technical Barriers to Trade Agreement is an international treaty that combats this potential abuse.
Although it is difficult to give a precise estimate of the impact on international trade of the need to comply with different foreign technical regulations and standards, it certainly involves significant costs for producers and exporters.

In general, these costs arise from the translation of foreign regulations, the hiring of technical experts to explain such regulations, and the adjustment of production facilities to comply with the resulting requirements. In addition, there is the need to prove that the exported product actually complies with the foreign regulations.

The high costs involved may discourage manufacturers from trying to sell their products abroad. In the absence of international disciplines, a risk exists that technical regulations and standards could be adopted and applied solely to protect domestic industries.
In a nutshell, the Technical Barriers to Trade Agreement (TBT) exists to ensure that technical regulations, standards, testing, and certification procedures do not create unnecessary obstacles to trade.

The agreement prohibits technical requirements created in order to limit trade, as opposed to technical requirements created for legitimate purposes such as consumer or environmental protection.
As far as international consensus-based standards are concerned, the Agreement invites the signatory governments to ensure that the standardizing bodies in their countries accept and comply with a "Code of good practice for the preparation, adoption and application of standards".
The main obligation enshrined in the TBT Agreement involves the use of International Standards as a basis for national regulations.

The TBT Agreement stipulates that members shall use relevant international standards as a basis for mandatory technical regulations and conformity assessment procedures.

The one derogation to this obligation involves cases in which the relevant international standard is ineffective or inappropriate for government policy objectives.
The Agreement also explicitly states that when a government follows this obligation and bases its regulations on the relevant international standards, then a legal presumption exists that the government is not creating unnecessary technical barriers to trade.

This legal presumption is a strong incentive for governments to use international standards.
The TBT Agreement specifically states…

“Whenever possible, requirements shall be expressed in terms of performance rather than design or descriptive characteristics.

This approach leaves maximum freedom to technical development.

Primarily those characteristics shall be included that are suitable for world-wide (universal) acceptance.

Where necessary, owing to differences in legislation, climate, environment, economies, social conditions, trade patterns, etc., several opinions may be indicated.”
The concept of Conformity Assessment within the TBT Agreement is quite broad.

It covers a full spectrum of regulatory procedures from testing to accreditation and everything in between.
Regarding conformity assessment procedures mandated by government bodies, the TBT Agreement contains a number of fundamental principles.

The first of those principles is the principle of non-discrimination. This is a principle that is found in almost all WTO treaty agreements. It concerns equal treatment, in terms of access to markets, for both foreign and domestic suppliers.

The second principle concerns the concept of necessity. This is about striking the correct balance between requirements that are too lenient and therefore fail to provide the required confidence regarding the inherent risks of the products concerned, and requirements that are overly strict and thereby obstruct market access, in terms of time and costs, without providing additional value.
The World Trade Organization’s Technical Barriers to Trade Agreement has generated a number of achievements that are simplifying and facilitating world trade.

The TBT Agreement has created a framework for the equal treatment of products entering a market, whether those products are from domestic or foreign suppliers.

The TBT Agreement stipulates that national requirements be based on “relevant” international standards. This has the effect of harmonizing the requirements between different nations.

This harmonizing effect means that all suppliers can manufacture their products to the same standard for all countries. This reduces costs and increases quality.

The TBT Agreement also stipulates that national requirements be neither too heavy nor too light, but instead strike the proper balance. The conformity assessment procedures should be sufficient to ensure confidence that the risks inherent in the products are mitigated, but not more.

Thus, costs are reduced by not imposing excessive conformity assessment procedures, but confidence in the safety and quality of the products is high.
Although the World Trade Organization’s Technical Barriers to Trade Agreement has largely achieved the harmonized use of international standards across countries as a basis for national regulatory requirements, it has not yet achieved the same level of transnational harmonization for conformity assessment procedures.

In this pursuit, the TBT Agreement does, however, encourage the use of international or regional systems for conformity assessment, and the recognition of foreign conformity assessment results.

These subjects will be discussed in the next unit of this module.
World trade

END

With thanks to:  Mr Michel Brénon
Mr Devin McDaniels

Sources:  
WTO website
Wikipedia WTO TBT