

Questions for PubPol/Econ 541
Sep 25-27

Policies and Institutions: International

KOM, Ch. 10, pp. 260-269:

- What reasons may motivate countries to use tariffs on imports? **<a: Interest groups seeking protection.>**
- Why is the Prisoners' Dilemma relevant for understanding trade negotiations? **<a: Because countries perceive it to be in their individual interest to keep or raise tariffs, even though they know that all will gain if they collectively lower tariffs.>**
- By how much were US tariffs reduced from the 1930s to just after World War II, just before the GATT? How was this accomplished? **<a: KOM says from an average of 59% in 1932 to 25% just after the war. By bilateral negotiations to reciprocally reduce tariffs.>**
- In what ways is the WTO intended to resolve the problem of the Prisoners' Dilemma? **<a: By mobilizing support for free trade, and by giving governments arguments to resist protection when asked.>**
- What do KOM mean by the "levers" and the "ratchets"? **<a: Levers push an object up a hill, while ratchets keep it from falling back. In the GATT/WTO, tariff bindings are the ratchets. Trade rounds are the levers.>**

Jackson, Ch. 1, pp. 1-11:

- What is the date of the Jackson book? **<a: 1997.>** Was it written before or after:
 - The expansion of world trade? **<a: After.>**
 - The appearance of global supply chains? **<a: Before.>**
 - The creation of the WTO? **<a: After.>**
 - The creation of the internet / web? **<a: Before.>**
 - The proliferation of Free Trade Agreements? **<a: Before.>**
- Jackson lists 11 important achievements of the Uruguay Round in its creation of the WTO. Are any of them flawed or incomplete in his view or others'? **<a: Yes, he mentions this for most, including:**
 - **Services ("in some ways seriously flawed")**
 - **Intellectual property ("certain gaps in the text")**
 - **Agriculture ("in many respects meager")**
 - **Subsidies/countervailing duties ("not without flaw")**
 - **Textiles ("flawed")**
 - **Standards ("more attention will be needed")>**
- The WTO comprises three agreements: GATT, GATS, and TRIPS. What do each of these deal with? **<a: GATT: trade in goods; GATS: trade in services; and TRIPS: intellectual property.>**

Jackson, Chap 2, pp. 49-58:

- What are the two principles that promote nondiscrimination? **<a: MFN and National Treatment.>**

- Are there exceptions to these principles? **<a: Yes, many. FTAs, anti-dumping and CVDs, etc.>**
- Does the WTO permit export subsidies? Why or why not? **<a: It prohibits export subsidies except in agriculture, the latter because the US insisted on that exception.>**

Rodrik, Dani, “What Do Trade Agreements Really Do?” *Journal of Economic Perspectives* 32(2), Spring 2018, pp. 73-90.

- Rodrik proposes an alternative to the standard political economy explanations of trade policy. What group plays the main role in the explanations of others, and what group plays the main role in his? **<a: Others stress the role of import-competing firms, that seek tariff protection from imports. Rodrik stresses the imports of exporting firms, who want greater access to foreign markets.>**
- Why are these two sets of interests different in terms of the welfare effects of the trade policies that result? **<a: Pushing against import-competing interests means lowering tariffs, which improves efficiency. But export interests seek policies, such as export subsidies, that do not necessarily improve welfare or efficiency.>**
- The two stories also differ, although Rodrik doesn't say much about this, in that the old story involves government pushing against the special interests, while his story is about government helping the (different set of) special interests. Why, in your opinion, might governments think their actions in the two cases are consistent? **<a: I'd suggest that it is because both policies tend to increase trade. Policies that promote imports and promote exports both promote trade, even though their efficiency effects are different.>**
- Why are today's trade agreement so much longer, in pages, than earlier ones? **<a: Early ones mostly just reduced trade barriers, while the more recent ones address many other issues.>**
- What are the four issue areas that Rodrik addresses specifically, and why does he argue that including these in trade agreements is undesirable? **<a: TRIPs, because it redistributes from poor countries to rich; capital flows, because the cases for free capital movements is increasingly understood to be weaker than the case for free trade; ISDS, because this gives commercial interests legal powers stronger than they have even in well-run developed countries; and regulatory harmonization, because countries differ legitimately in what they and their consumers want.>**
- What groups of companies does Rodrik criticize specifically? **<a: Pharmaceutical companies, for profiting from patents; financial institutions for seeking freedom of capital movements so that they can profit in developing countries; and multinational corporations for pushing their claims against host country governments.>**
- When and why did trade agreements shift from resisting import protection to promoting the interests of exporters? **<a: Around 1995, with the advent of the WTO. What happened was that tariffs had been negotiated down to the point that they didn't matter much anymore, while companies began to see how they might use the GATT/WTO to promote their own interests. He**

identifies the TRIPs agreement as a major shift that then encouraged other industries to follow it, in services for example.>

Geneva Trade Platform, “Multi-Party Interim Appeal Arbitration Arrangement (MPIA),” Geneva Graduate Institute, Konrad Adenauer Stiftung, undated. [4p]

- What does MPIA stand for? **<a: Multi-Party Interim Appeal Arbitration Arrangement.>**
- What country’s actions prompted the creation of the MPIA? How? **<a: The US, by blocking reappointments to the WTO’s Appellate Body, so that it ceased to have a quorum for deciding cases.>**
- How many countries are members of the MPIA? **<a: 47 are mentioned at one point. [Website now (8/6/23) says 53/164]>**
- What important countries are not members? **<a: US, Argentina, India, UK.>**
- Who will decide appeals? **<a: Ten arbitrators were appointed to hear the appeals.>**
- What objections to the Appellate body are mentioned? **<a: It has repeatedly overstepped its limits; created new rules; sets up persuasive precedents; has procedural problems such as the practice of taking on new cases before clearing the backlog of existing ones.>**

Alden, Edward, “Free Trade is Dead. Risky ‘Managed Trade’ Is Here,” *Foreign Policy*, July 20, 2021. [5p].

- Is it really “free trade” that the author is saying we once had and now are losing? **<a: No. It’s nondiscrimination, which he calls “the bedrock principle of free trade and globalization.”>**
- Why are countries departing from nondiscrimination? **<a: Because of a long list of legitimate concerns that they address by putting tariffs or other restrictions on trade in a discriminatory way. Those concerns include environment, labor rights, and national security.>**
- If the concerns that are motivating these policies are valid, why is he concerned? **<a: Because the line between legitimate policy and “selfish protectionism” is “vanishingly thin” because the bases for the legitimate policies are impossible to know correctly.>**
- What principle does the WTO already enforce that he thinks should be given more emphasis in dealing with these forms of managed trade? **<a: The “less trade-restrictive principle,” which has been used in cases he cites on air quality standards for gasoline and on protecting sea turtles.>**

Beattie, Alan, “The WTO’s marathon exercise in staying alive,” *Financial Times*, June 17, 2022. [3p].

- Where did this ministerial meeting take place? **<a: Geneva, Switzerland.>**
- Did it address important issues? Did it make progress on them? **<a: Yes, and no. IP for vaccines, etc.; over-fishing; and food crisis.>**
- Does the author fault the leaders of the WTO? **<a: No, he says they are the best ever.>**

- What countries are criticized? Why? **<a: US and India. US was “under-engaged” and “made lots of vague noises about reforming the WTO” but “no practical proposals.” India “made a series of disruptive (and on this occasion increasingly baroque) interventions to posture as a leader of the developing world”: Longer phaseout for fishing subsidies; end moratorium on tariffs on digital trade; leeway to use production-distorting agricultural subsidies.>**

White, Edward, Demetri Sevastopulo, and Eleanor Olcott, "China Hits Back at US Chip Sanctions with WTO Dispute," *Financial Times*, December 13, 2022.

- On what basis did the US claim it was restricting chip exports to China? **<a: National security. It wanted to “hamper China’s ability to use high-end US technology for military applications.>**
- What has China now done, and what is likely to happen? **<a: Filed a complaint with the WTO where it may never be finally decided because the Appellate Body is not functioning. But a panel is likely to find against the US, because a previous case had a panel say that Trump’s metals tariffs were not justified based on national security.>**
- Does the US accept that the WTO has jurisdiction on this? **<a: No. USTR says “the WTO is not the appropriate forum to discuss issues related to national security.>**
- Aside from this complaint, how is China responding to these restrictions? **<a: By spending heavily to develop the technology in China so that they don’t need it from the US.>**
- Are any other countries involved? **<a: Not yet, as of this writing, but the US was negotiating with Japan and the Netherlands to do the same.>**

Optional to Read:

Jackson, Chap 2, pp. 31-49, 58-78:

- What country was the major advocate of an International Trade Organization after World War II? What country prevented it from coming into being? **<a: The United States for both. By the time it was ready for approval, Congress had changed hands to the Republicans, and the urgency of the war had receded.>**
- The Uruguay Round included what Jackson calls the “single package” idea (which has more recently been called a “single undertaking”). What is that, and how did it differ from the previous trade round (the Tokyo Round)? **<a: It means that countries would have to accept or reject all aspects of the agreement, and could not just accept some and reject others. This had been the case in the Tokyo Round, when many new features were included as separate “codes” that countries could opt into or out of. [This is relevant today, because the attempt to continue the single undertaking in the Doha Round failed, and the WTO is now pursuing “plurilateral agreements.”>**
- What grandfather rights, if any, are included in the WTO? **<a: Only one, “relating to vessels in commercial applications between points in national waters.” This is presumably to permit the US to keep its Jones Act.>**

- Does the WTO restrain anti-competitive practices (e.g., monopoly)? **<a: No.>**
- Why does the WTO (and the GATT before it) rely on “consensus” for most major decisions, rather than some sort of majority voting? How is consensus interpreted, and why does it give richer countries more say than poorer ones? Is there an alternative to consensus for making decisions? **<a: Majority voting would not reflect the diverse power relationships among the members, and therefore would be unacceptable to the most powerful countries. Consensus is interpreted as “no member present objecting.” This means that absent countries and those who abstain do not veto a decision. And since attendance is somewhat costly, it gives preference to rich countries. If consensus cannot be reached, then an alternative is some specified fraction (2/3 or 3/4) vote, but that must be of the entire membership. I gather that if fewer than that are attending the meeting, then decision can’t be made.>**
- Did the GATT lower tariffs substantially? **<a: Yes, quite a bit, in the successive Rounds.>**
- How are WTO rules enforced, if a country is found to violate them and does not change its behavior? **<a: By authorizing retaliation: tariffs on the offending country’s exports.>**
- What were, under GATT, the two methods by which a customs territory could become a signatory? Do both of these methods still apply under the WTO? **<a: 1. 2/3 vote of existing contracting parties, after negotiating tariff cuts. 2. Sponsorship by a (colonial) “parent” after becoming independent. I didn’t originally write down the answer to whether these both still apply under the WTO, and looking at both my notes and the chapter now, I can’t find the answer. Presumably the colonial route no longer is relevant, but I wonder about the 2/3 vote.>**

Schlesinger, Jacob M., “How China Swallowed the WTO,” *Wall Street Journal*, November 2, 2017.

- What are some signs of the success of the GATT/WTO since the GATT was formed? **<a: Trade’s share of the global economy has more than doubled; tariffs have plunged nearly 80%; 2008 financial crisis did not plunge world into trade war and recession; the WTO arbitration system, its “crown jewel,” has worked and members comply with 90% of its rulings.>**
- Why and in what ways has the WTO fallen behind in keeping its rules up to date? **<a: Why: it has gone nearly a quarter century without a successful negotiation to update the rules. In what way: Mentioned here is that it has no clarity on the meaning of market-economy status. It also “doesn’t have detailed rules governing Chinese-type state- owned-enterprises.” And without appropriate rules, panels have to make them up, and are then accused of “judicial overreach and activism.”>**
- Since joining the WTO, to what extent has China made use of his dispute settlement mechanism? Has it been able to win most cases over the US? **<a: It didn’t use it much at first, but then it did, and since 2007 it’s been a big user. However, the US still wins more cases than it loses.>**

- Why does China want market-economy status, and why does it feel it deserves it? **<a: It wants it because without it, countries like the US can ignore China's own price and cost data for judging dumping and therefore find dumping more frequently and at higher levels, resulting in much higher anti-dumping duties against China. China argues that it was promised this in its accession negotiations, to start after 15 years (thus 2016).>**
- How and when has the US interfered with the functioning of the WTO's Appellate Body? **<a: Initially, the Obama administration blocked the appointment of an Appellate Body member because he had decided against the US in ways that the US argued showed bias. Now the Trump administration is blocking all appointments to the Body.>**