

# PubPol/Econ 541

Class 10

## **Policies and Institutions: National, Other**

by

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# Pause for News

# Announcements

- Mid-term feedback:
  - Ford School students are asked for feedback, which will be shared anonymously with instructors.
- Quizzes
  - Results:

# Outline

- European Union
- Japan
- China
- Other

# European Union

- History
  - 1957 Treaty of Rome created European Economic Community (EEC) as a "common market"
    - Eliminated barriers to movement of goods, services, capital, and labor (eventually)
    - Prohibited policies to inhibit market competition
    - Adopted Common Agricultural Policy (CAP)
    - Adopted common external trade policy
      - (Hence a Customs Union, not a Free Trade Area)
  - Original Six countries: Belgium, France, Germany, Italy, Luxembourg, Netherlands
  - Added 6 more: 1973: Denmark, Ireland, UK; 1981: Greece; 1986: Portugal, Spain (also E. Germany 1990)

As of  
1990



# European Union

- History
  - “Europe 1992”: Treaty on European Union, signed Feb 7, 1992, in Maastricht, Netherlands
    - “Four Freedoms” became reality: free movement of goods, services, people, and money
    - Set rules for (future) single currency
  - 1995: Added Austria, Finland, Sweden
  - 2004: Added 10 more: 8 from former Soviet Bloc, plus Malta and Cyprus
  - 2007: Added Bulgaria and Romania
  - 2013: Added Croatia
  - 2020: Subtracted United Kingdom

As of  
2020



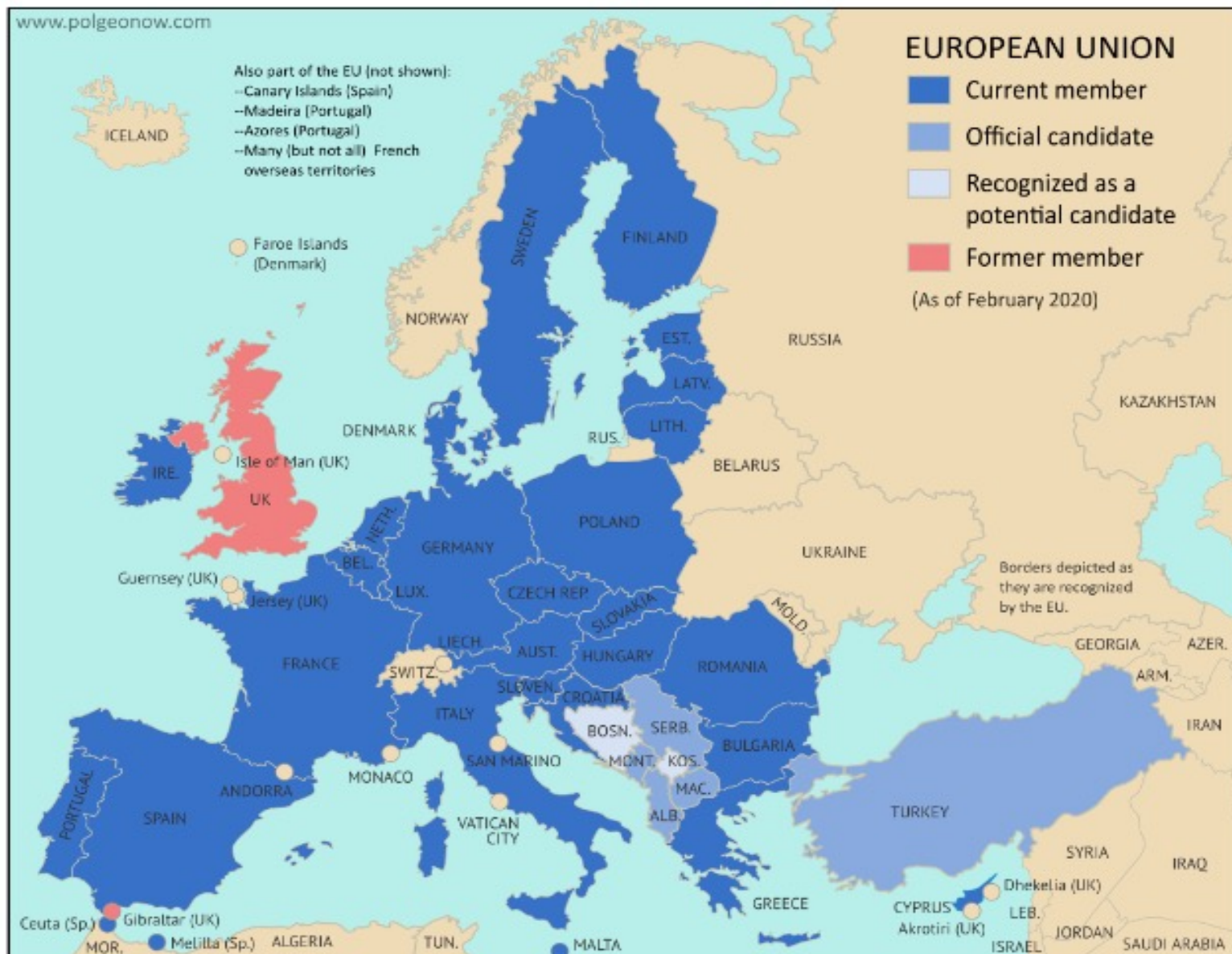
**NOTE:**  
Not yet  
members,  
and maybe  
never:

Serbia  
Montenegro  
N. Macedonia  
Albania  
Turkey



# European Union

- The EU today
  - 27 Countries
  - Note who is not in
    - UK (anymore)
    - Switzerland
    - Norway
    - Iceland
    - Official candidates: Turkey and several parts of former Yugoslavia
    - Potential candidates: Other parts of former Yugoslavia



The European Union after the January 2020 departure of the UK and Gibraltar ([pre-Brexit version here](#)).  
Map by Evan Centanni, from [blank map](#) by Ssolbergj. License: CC BY-SA

# European Union

- Two main institutions
  - European Council
  - European Commission

# European Union

- European Council
  - Heads of national governments, expressing their national interests
  - Presidency rotates among member states every six months
    - Not a person, but a country. Currently Spain (July-December 2023)
  - There is also a person with the title President of the European Council: Charles Michel
    - Runs meetings
    - Represents EU externally



# European Union

- European Commission
  - 27 Commissioners, one from each member country
  - Represents the whole of the EU, not the individual national interests
  - Drafts legislation and handles day-to-day running of EU
  - Current President is Ursula von der Leyen



# European Union

- Other institutions
  - Council of the European Union
    - Not the same as European Council
    - National ministries, a Council for each area
  - European Parliament
  - Court of Justice
  - European Central Bank
  - Court of Auditors

# European Union

- How it functions
  - Commission “proposes”
  - Council “adopts”: seeks unanimity, but if not, it votes
    - Proportional to population
    - But with small countries over-represented

# European Union

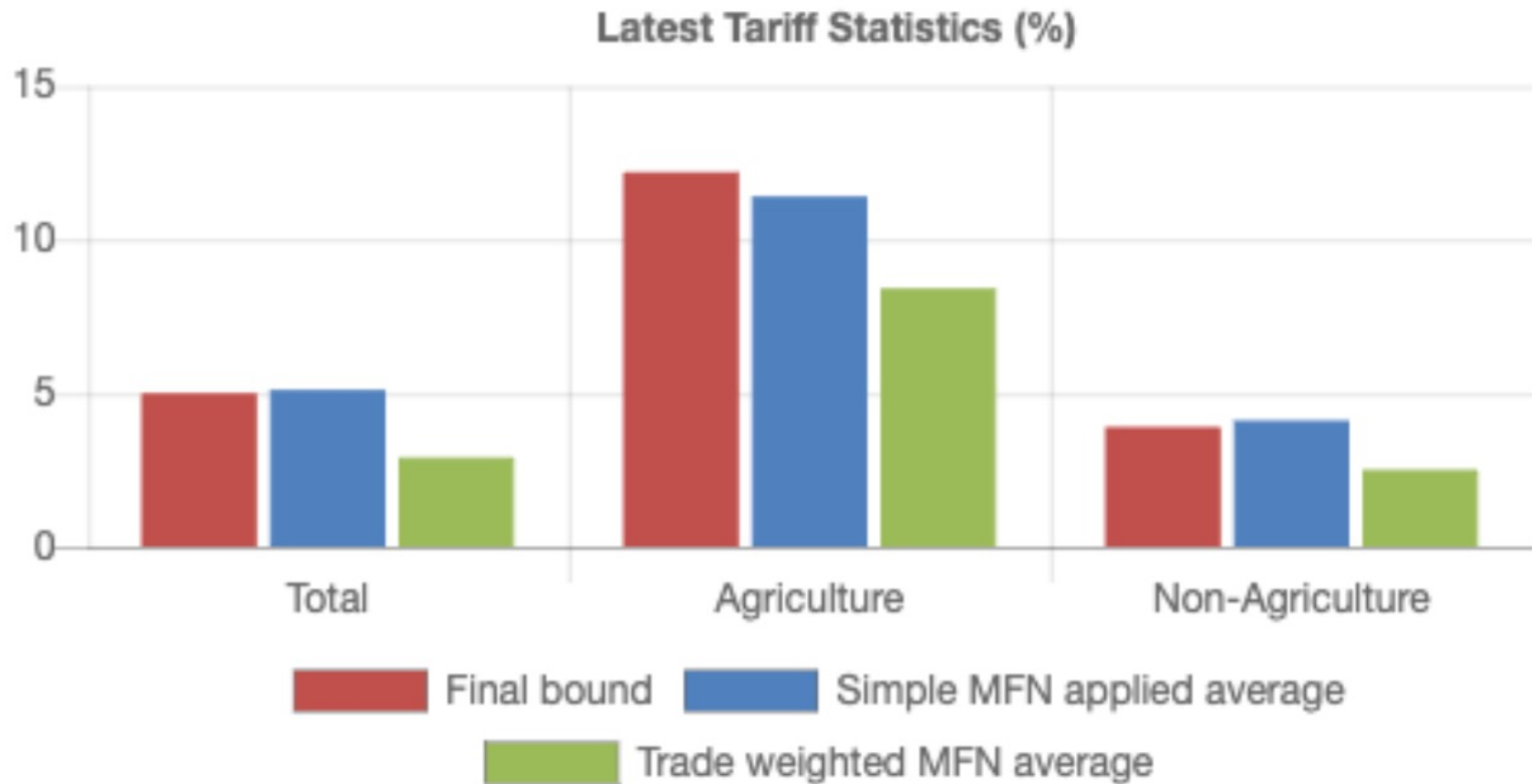
- Features relevant for trade
  - Common external tariff (it's a “customs union”)
    - Countries therefore can not join FTAs on their own
  - Value-added tax (VAT)
    - Rebated on exports
  - Common agricultural policy (CAP)
    - System of subsidies and support programs for agriculture
    - Variable levies
  - Numerous (~42) FTAs with other countries & groups of countries, including with former colonies
    - Banana War: US-EU dispute over EU preference for former colonies' bananas. US won case at WTO
  - State aid for firms is prohibited (unlike US)



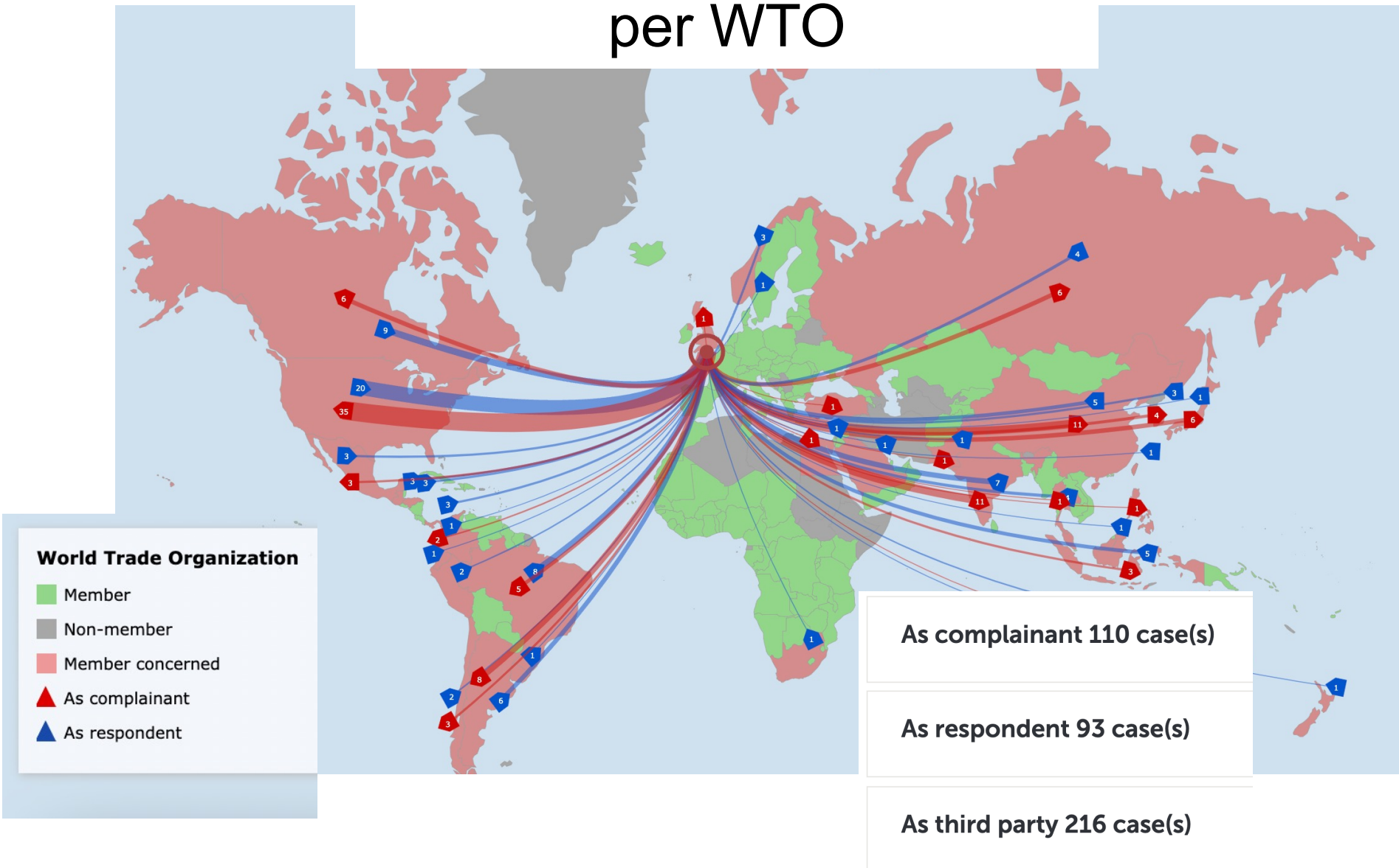
# European Union

- Tariffs and Trade Disputes
  - The following 3 slides come from WTO, Member Information, downloaded 9/22/22
    - Tariffs: I assume they are up to date, as of 8/20/23
    - Disputes: These are the total numbers of disputes since 1995.
    - RTAs (Regional Trade Agreements, WTO term for FTAs, etc.)

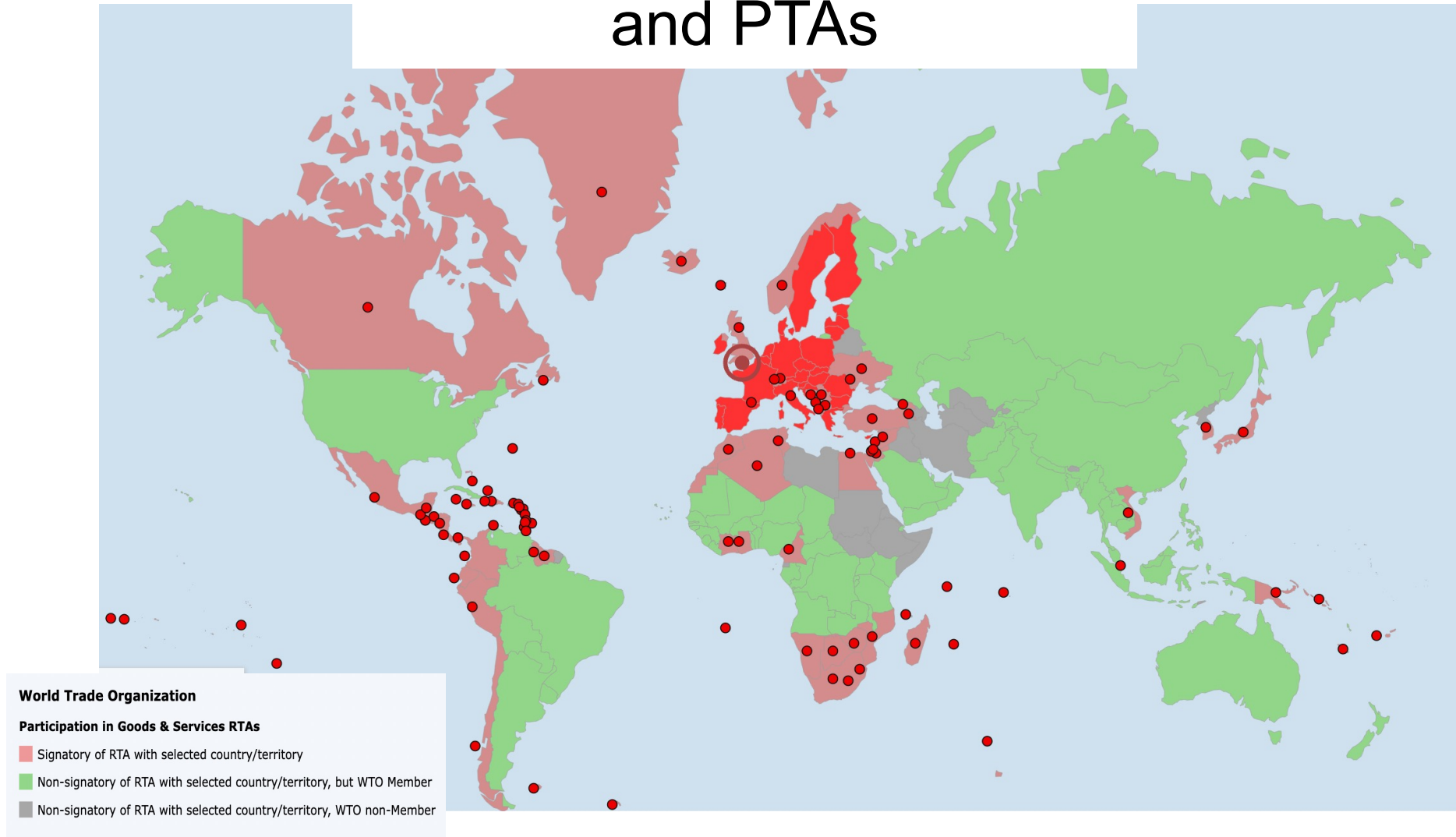
# EU Tariffs per WTO



# Disputes Involving EU per WTO

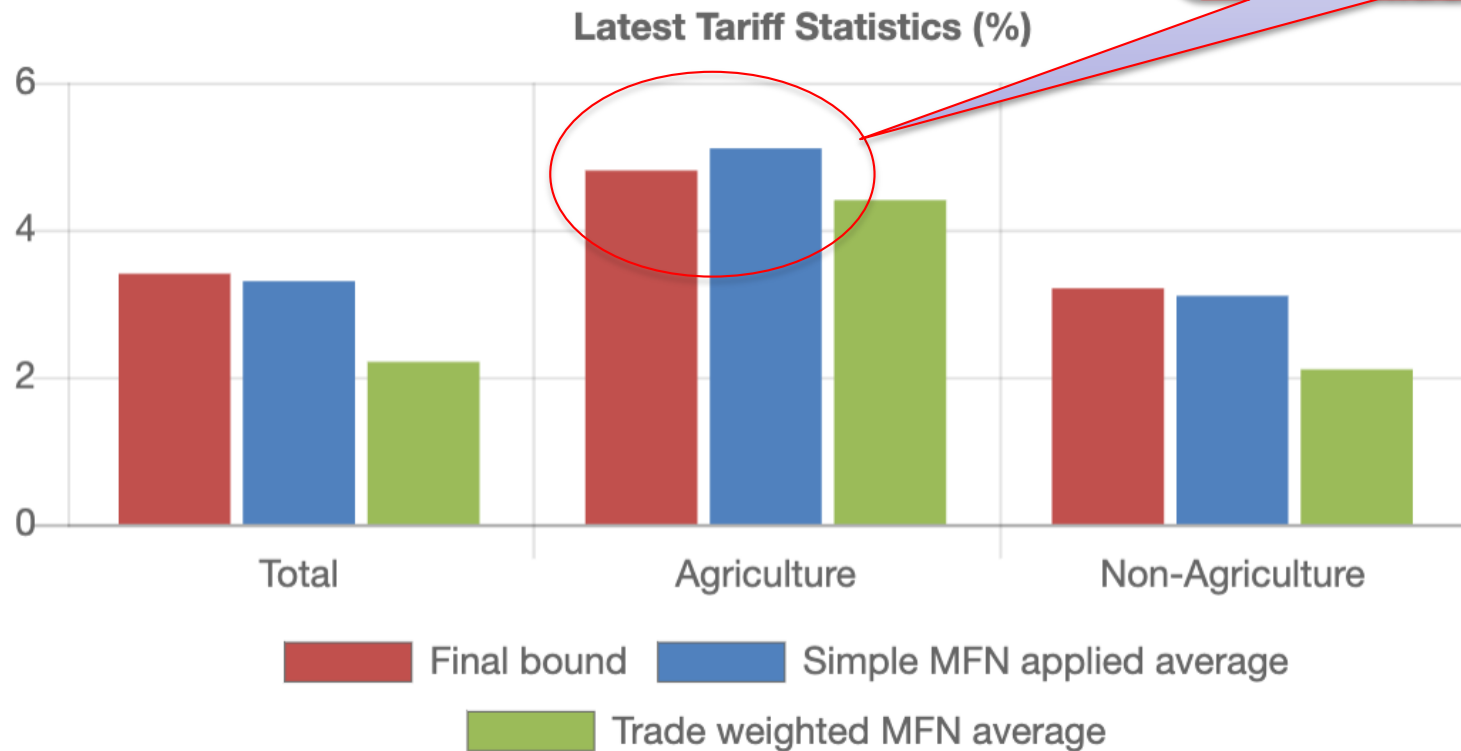


# EU Membership in RTAs and PTAs



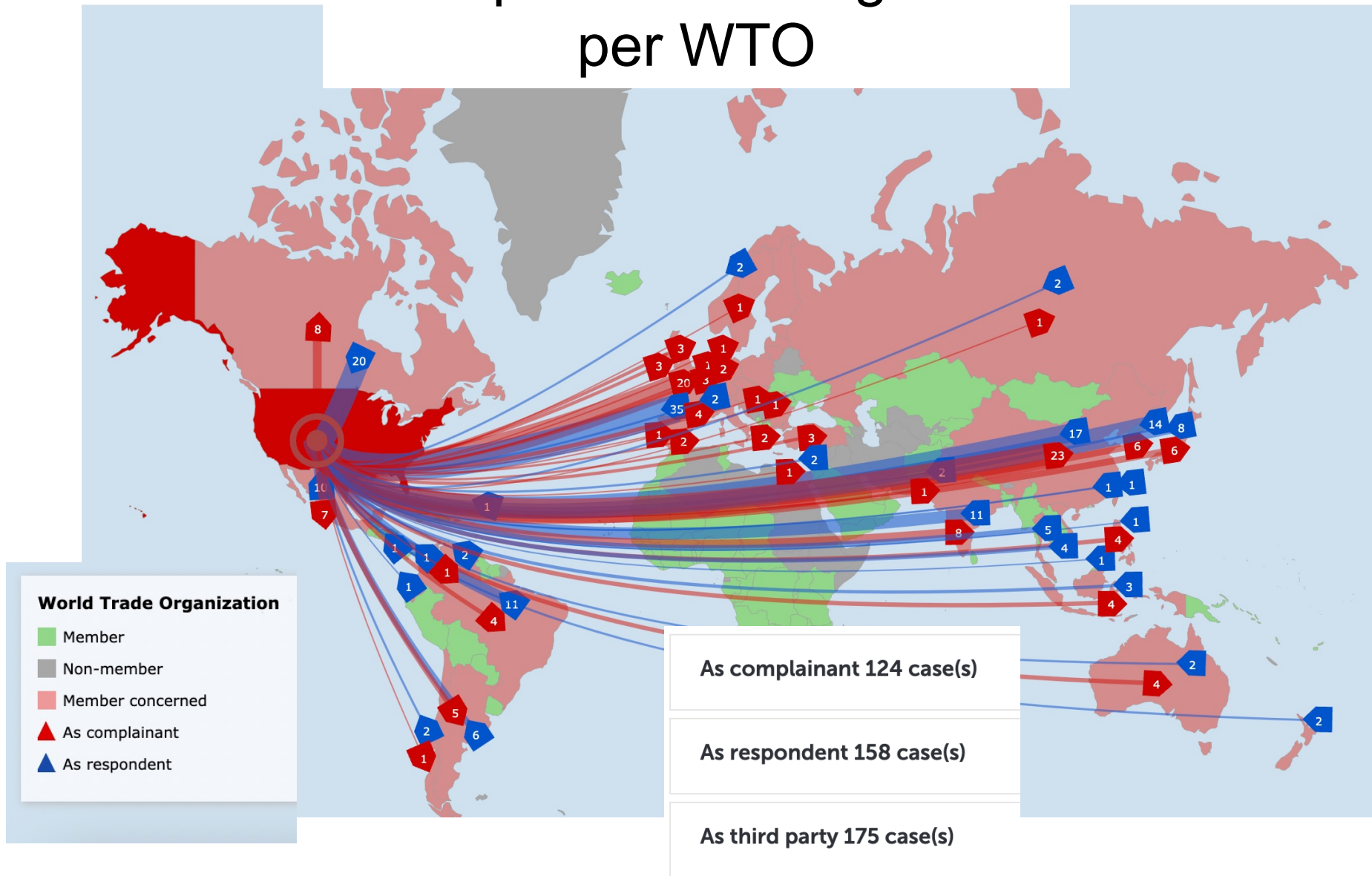
Compare with US

# US Tariffs per WTO



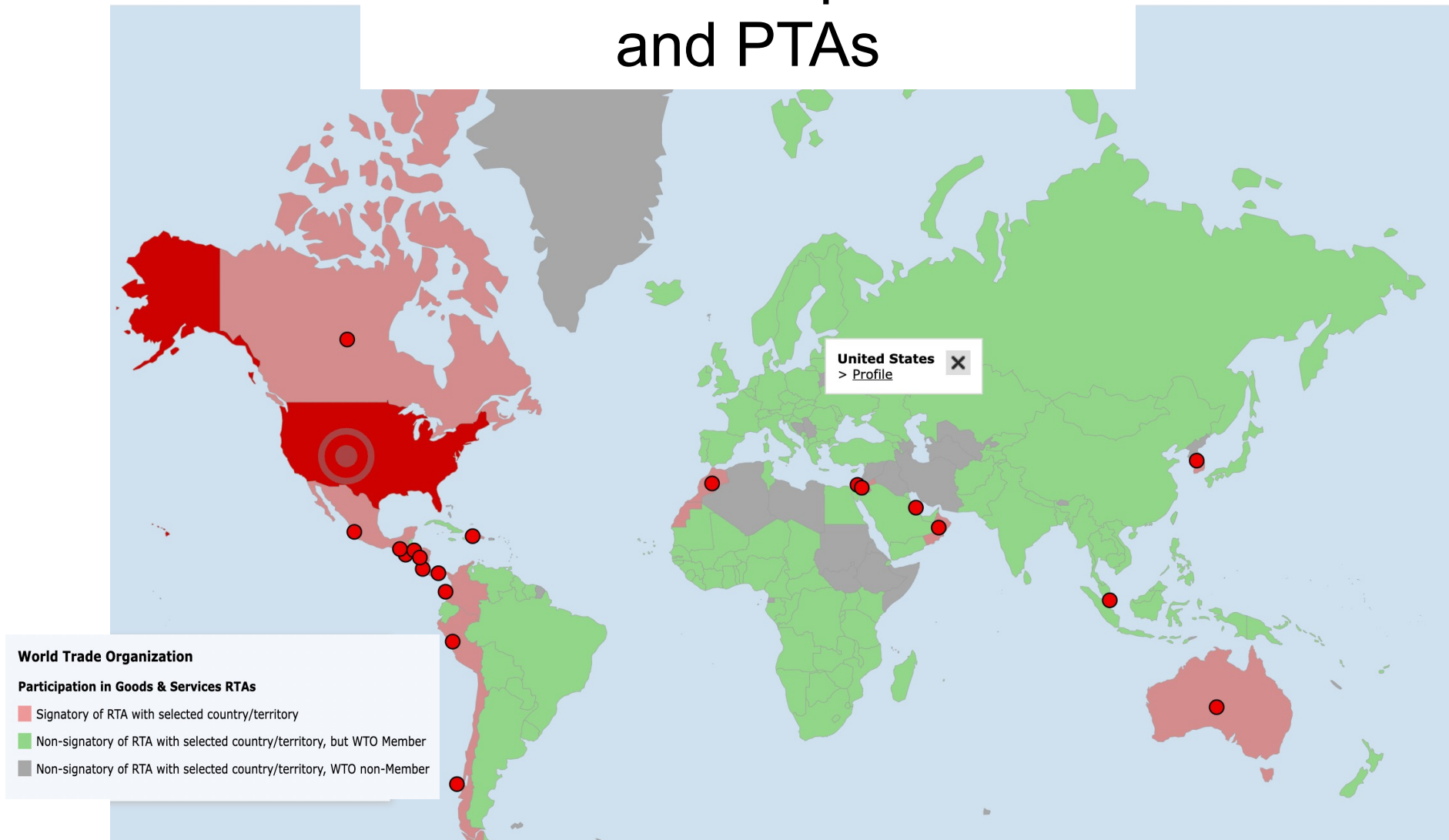
How is this possible? I don't know. See notes to slide.

# Disputes Involving US per WTO





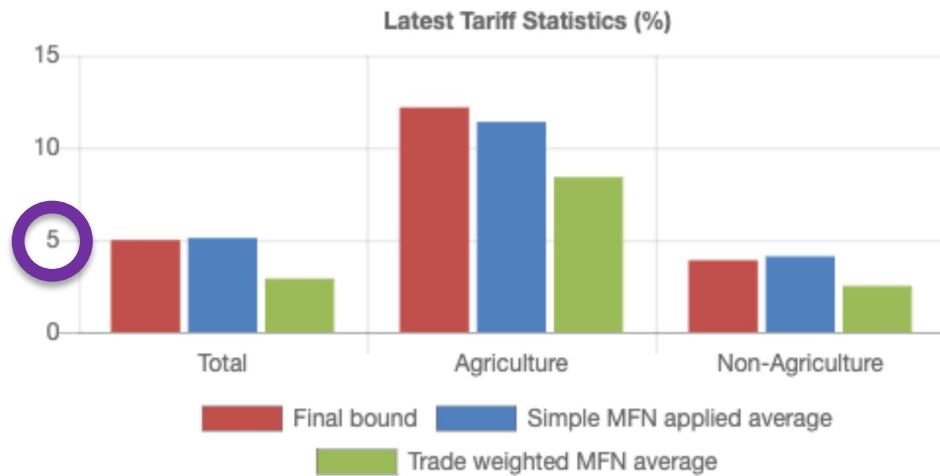
# US Membership in RTAs and PTAs



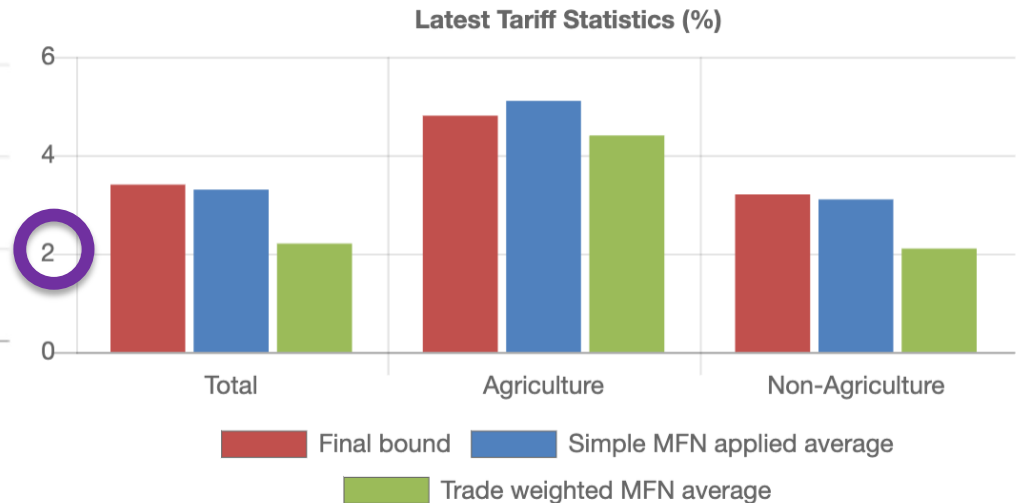


# Comparison of EU with US Tariffs

## EU



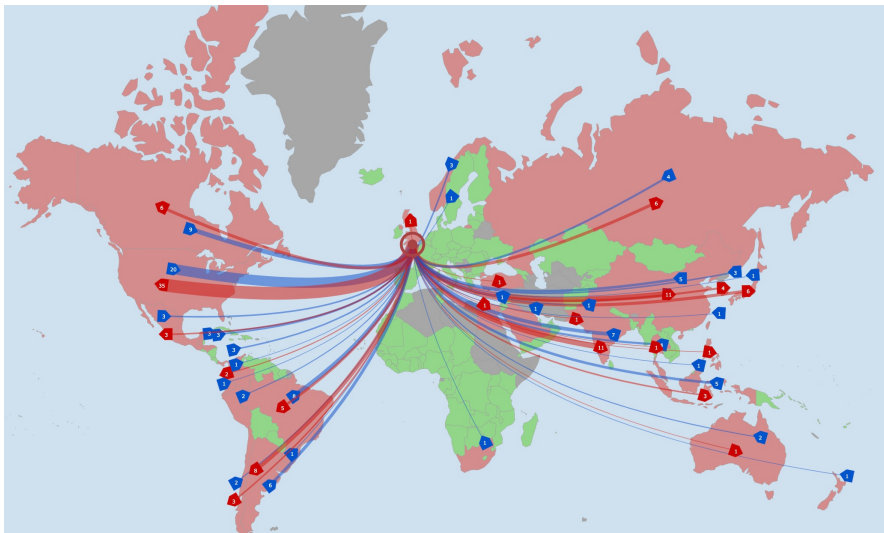
## US



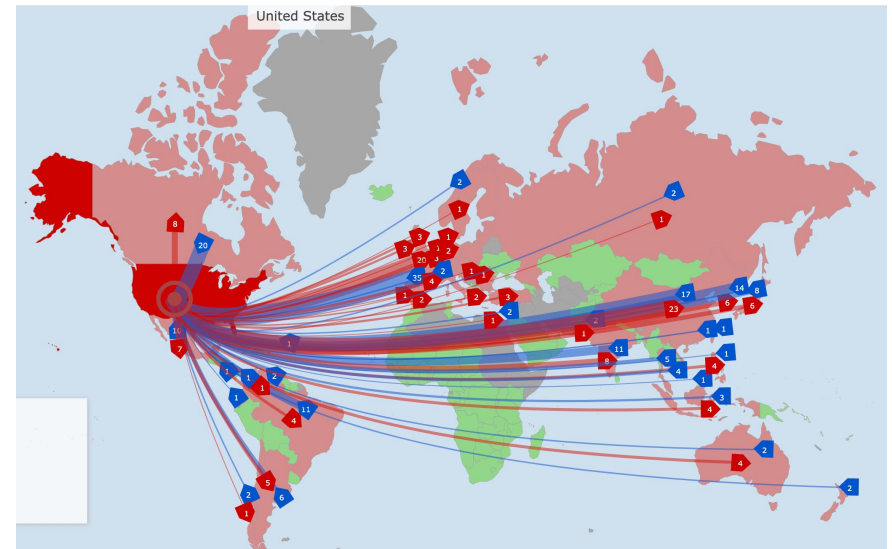
These look comparable until you note the scales.

# Comparison of EU with US Disputes

## EU



## US



### World Trade Organization

- Member
- Non-member
- Member concerned
- ▲ As complainant
- ▲ As respondent

As complainant 110 case(s)

As respondent 93 case(s)

As third party 216 case(s)

As complainant 124 case(s)

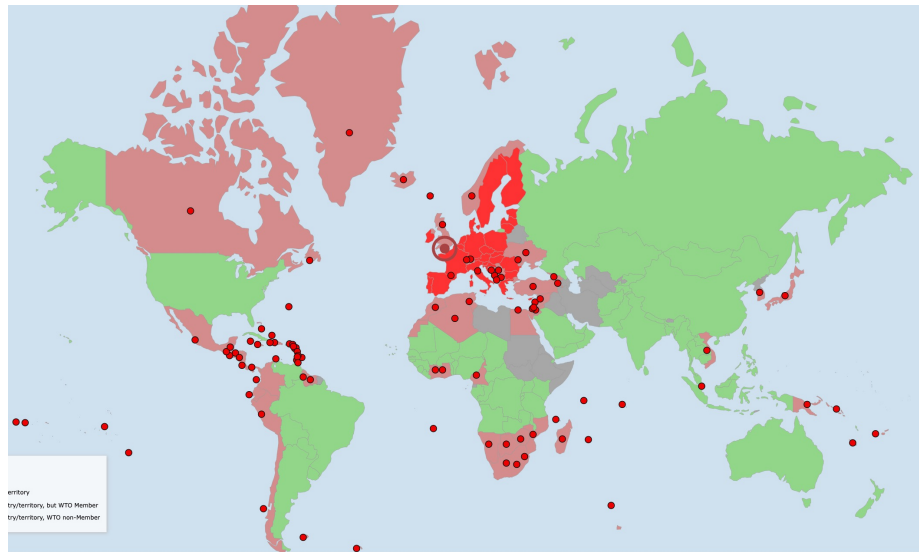
As respondent 158 case(s)

As third party 175 case(s)

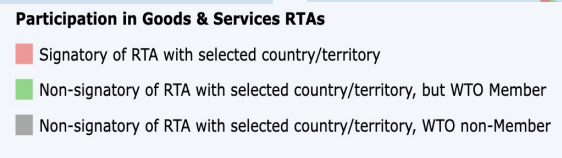
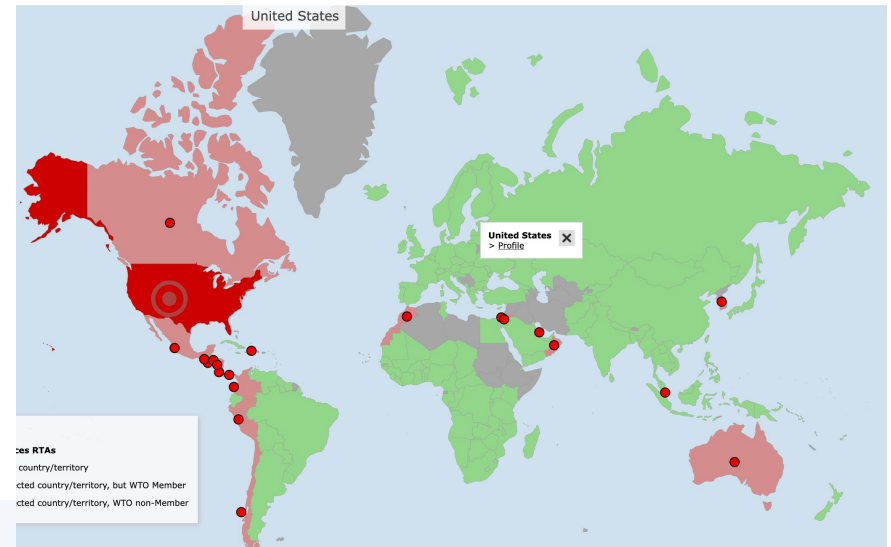
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# Comparison of EU with US FTAs

## EU



## US



# European Union

- Disputes at WTO in 2022-23: Respondent Complainant
  - DS618: European Union - Countervailing duties on imports of biodiesel from Indonesia
    - In consultations since 15 August 2023
  - DS616: European Union - Countervailing and Anti-Dumping Duties on Stainless Steel Cold-Rolled Flat Products from Indonesia
    - Consultations requested 24 January 2023; panel established but not yet composed
  - DS613: European Union — Measures concerning the importation of citrus fruit from South Africa
    - In consultations since 27 July 2022
  - DS612: United Kingdom— Measures relating to the allocation of contracts for difference in low carbon energy generation, EU
    - In consultations since 28 March 2022
  - DS611: China— Enforcement of intellectual property rights, EU
    - In consultations since 18 February 2022; panel composed

# Pause for Discussion

# Questions

On Jackson:

- What are the six entities that play constitutional roles in the European Community?

On “European Union in Brief”:

- What does the “single market” entail?
- What are the three entities through which EU citizens and members states are represented?
- Why and when did it change its name from EEC to EU?

# Questions on EU Commission

## “Making Trade Policy”

- What sorts of policy are the “exclusive power of the EU,” meaning that they cannot be done by member states individually?
- Which part of the EU negotiates trade agreements with other countries? Is that entity constrained in any way as to with whom it can negotiate and what its objectives should be?
- Once a trade agreement is negotiated, who approves it?

# Questions on, Matthias & Parsons, “Single-Market Power...”

- Which of the US and EU have the more integrated markets?
- If indeed the US is less integrated, why is there so much greater interstate trade and mobility?
- How does California restrict imports of eggs from some other states?
- Can colleges in the US and EU charge different tuitions for students from outside their state or country?



# Questions on *Economist*, “The Trade War Within”

- To what extent are EU countries largely free-traders?
- Why was the EU considering taking some developing countries off the list for GSP treatment? Can you find out whether it did in fact do this for Brazil, Russia, Saudi Arabia, South Africa?
- What are the 3 levels of EU GSP and what do they mean?
- What is meant by the need for “reciprocity”?

# Questions on Bounds, “EU Seeks Protected Status”

- Once a product has protected status, what does this mean?
- Does the WTO accept the idea of protected status?
- What are some examples of currently protected products?
- Over what part(s) of the world do the EU designations of protected status apply?

# Outline

- European Union
- **Japan**
- China
- Other

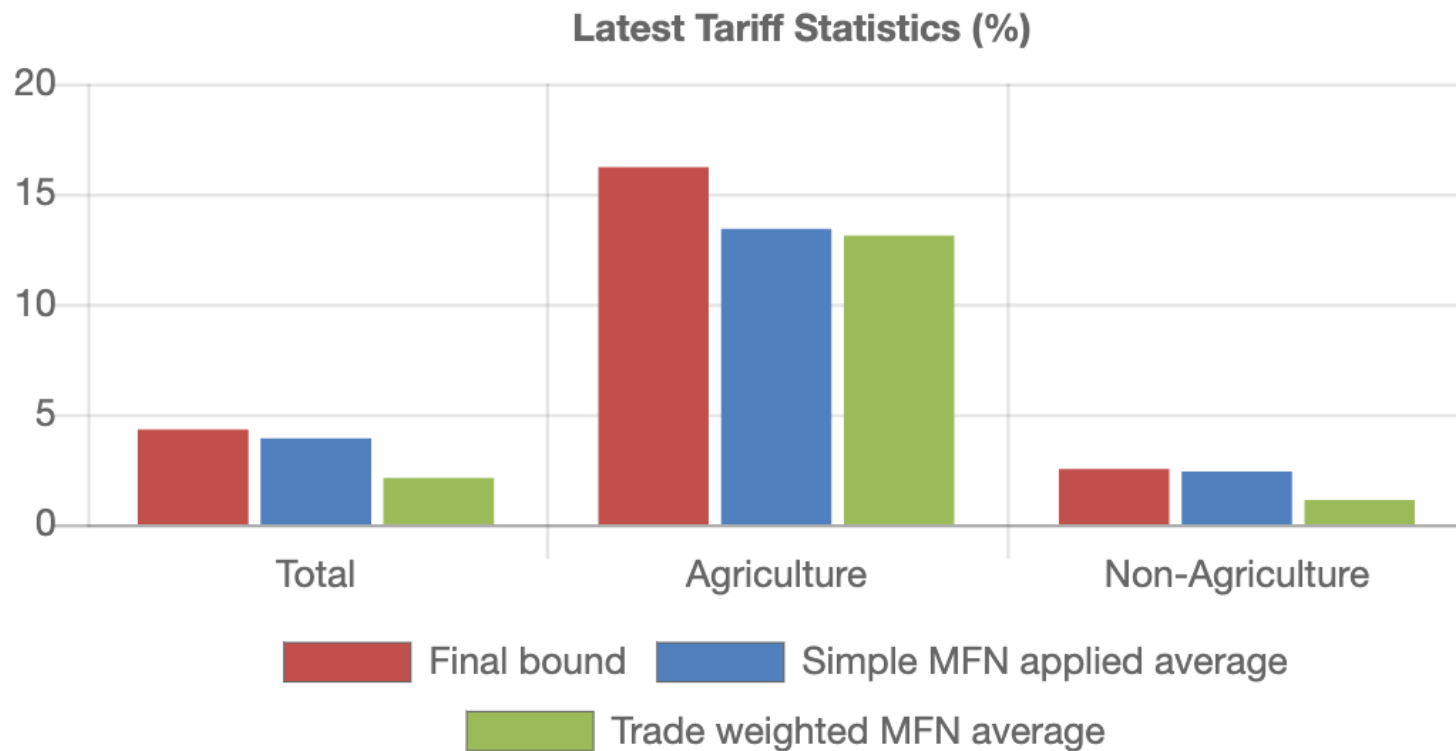
# Japan

- Portions of government dealing with trade
  - METI = Ministry of Economy, Trade, and Industry
    - Previously MITI, Ministry of International Trade and Industry
  - MAFF = Ministry of Agriculture, Forestry, and Fisheries
    - Handles all agriculture trade (with high tariffs)
  - MOFA = Ministry of Foreign Affairs

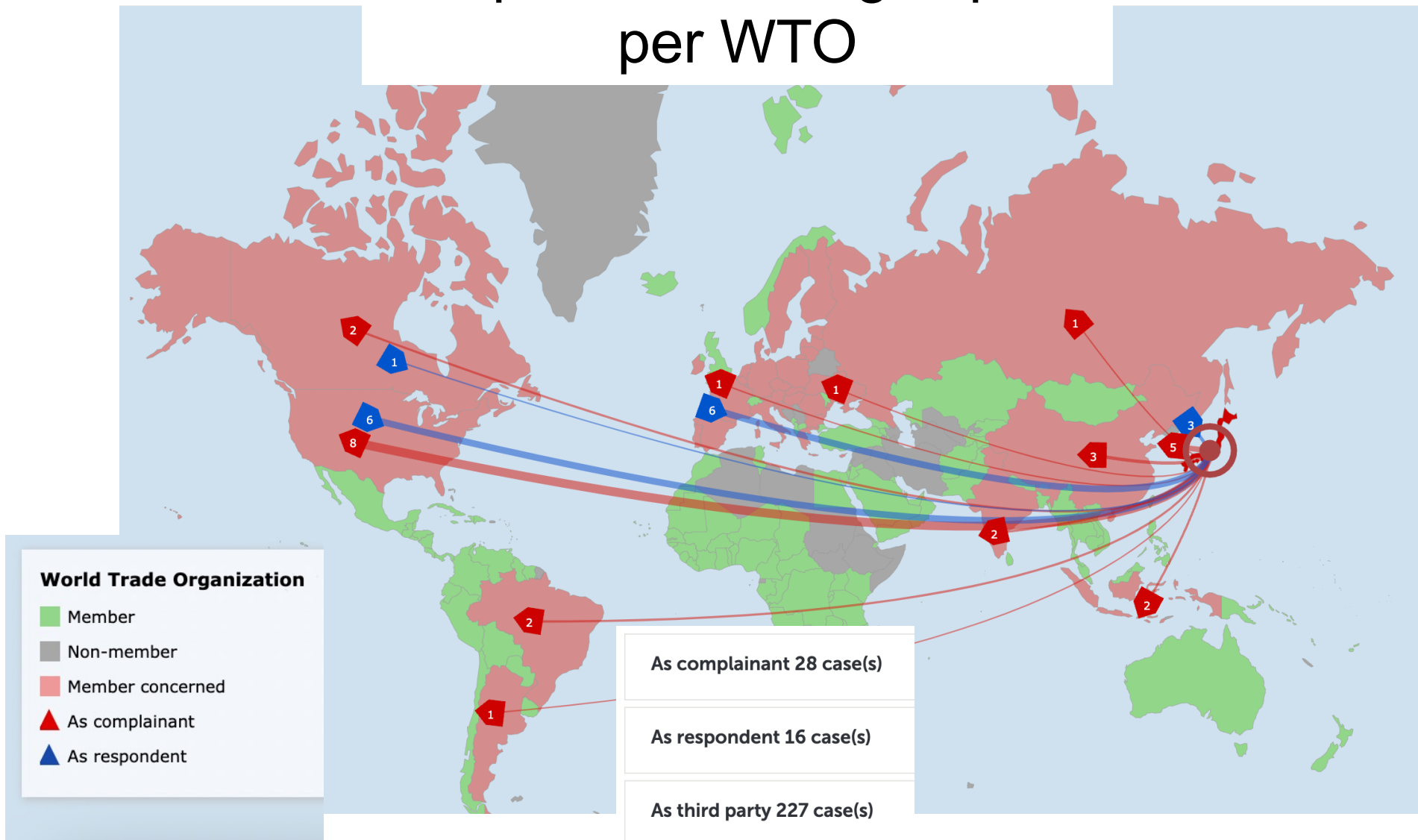
# Japan

- Japan's trade disputes
  - Most serious recent dispute has been with South Korea
    - 2018: S.K. Supreme Court ordered reparations from 2 Japanese companies for WWII forced labor.
    - S.K. also continues concerns about WWII “comfort women”
    - 2019: Japan tightened export controls to S.K. and dropped S.K. from its “white list” for “fast-track exports”
    - S.K. cancelled military intelligence sharing
    - 2-way trade dropped 41%
    - As we saw Sep 4, they have now resolved the issue

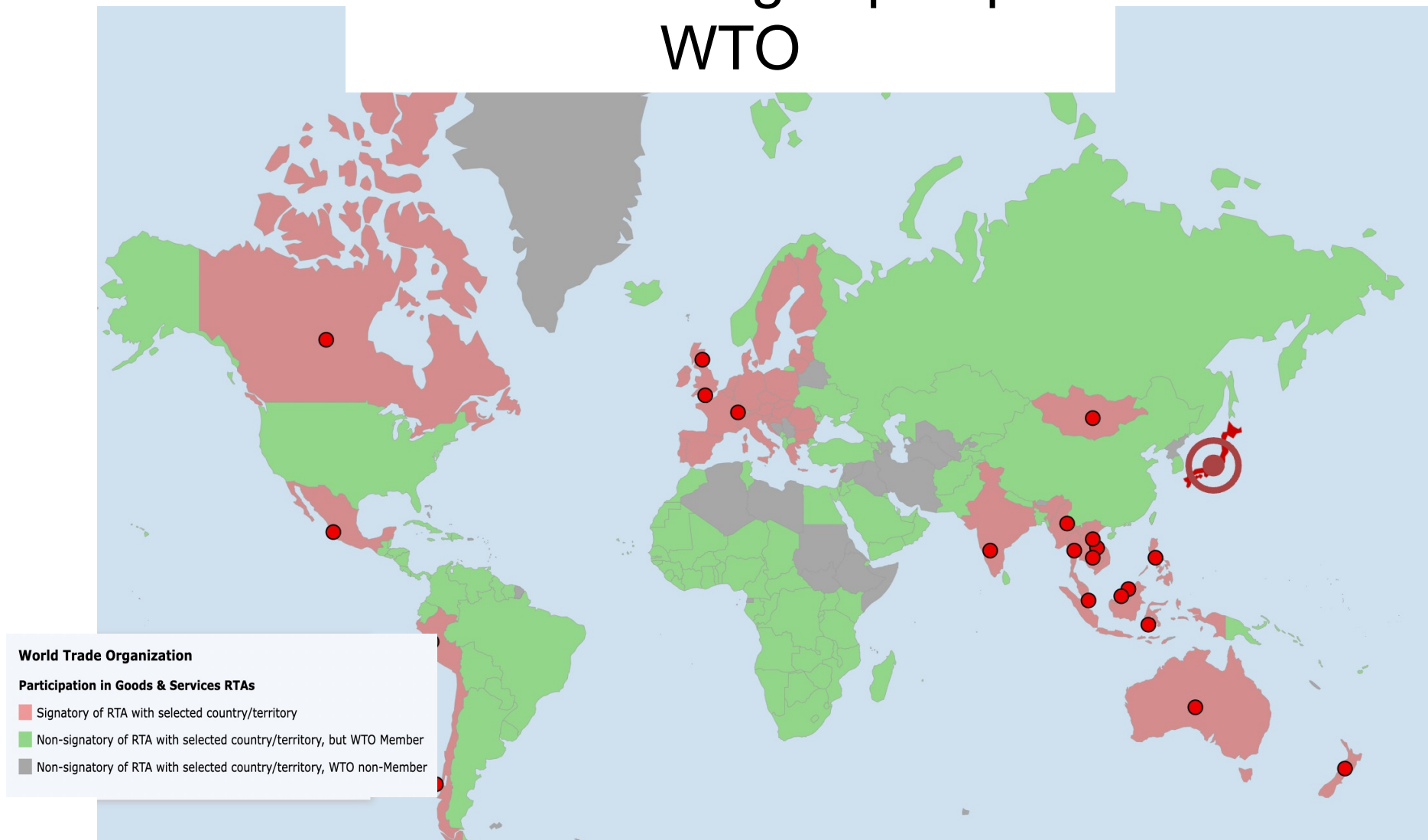
# Japan Tariffs per WTO



# Disputes Involving Japan per WTO



# FTAs Involving Japan per WTO





# Japan

- Disputes at WTO in 2020-21: Respondent Complainant
  - DS601: China — Anti-Dumping measures on stainless steel products from Japan
    - Consultations requested 11 June 2021
    - Report(s) adopted with recommendation to bring measures into conformity
  - DS594: Korea — Measures Affecting Trade in Commercial Vessels (second complaint) (Japan)
    - In consultations since 31 January 2020

# Pause for Discussion

# Questions

From Jackson:

- Why is Japan a less complicated country than the US and EU for understanding its interaction with international trade law and negotiations?

From METI:

- What is METI's "general rule"?
- What are some of the exceptions to free trade that they base their trade controls on?
- What are some of the things that METI does?

# Questions on Japan's “Trade Policy Review 2023”

- What are some unusual features of Japan's international economic situation?
- On what are Japan's highest MFN tariffs?
- Has Japan recently adopted new industrial policy?

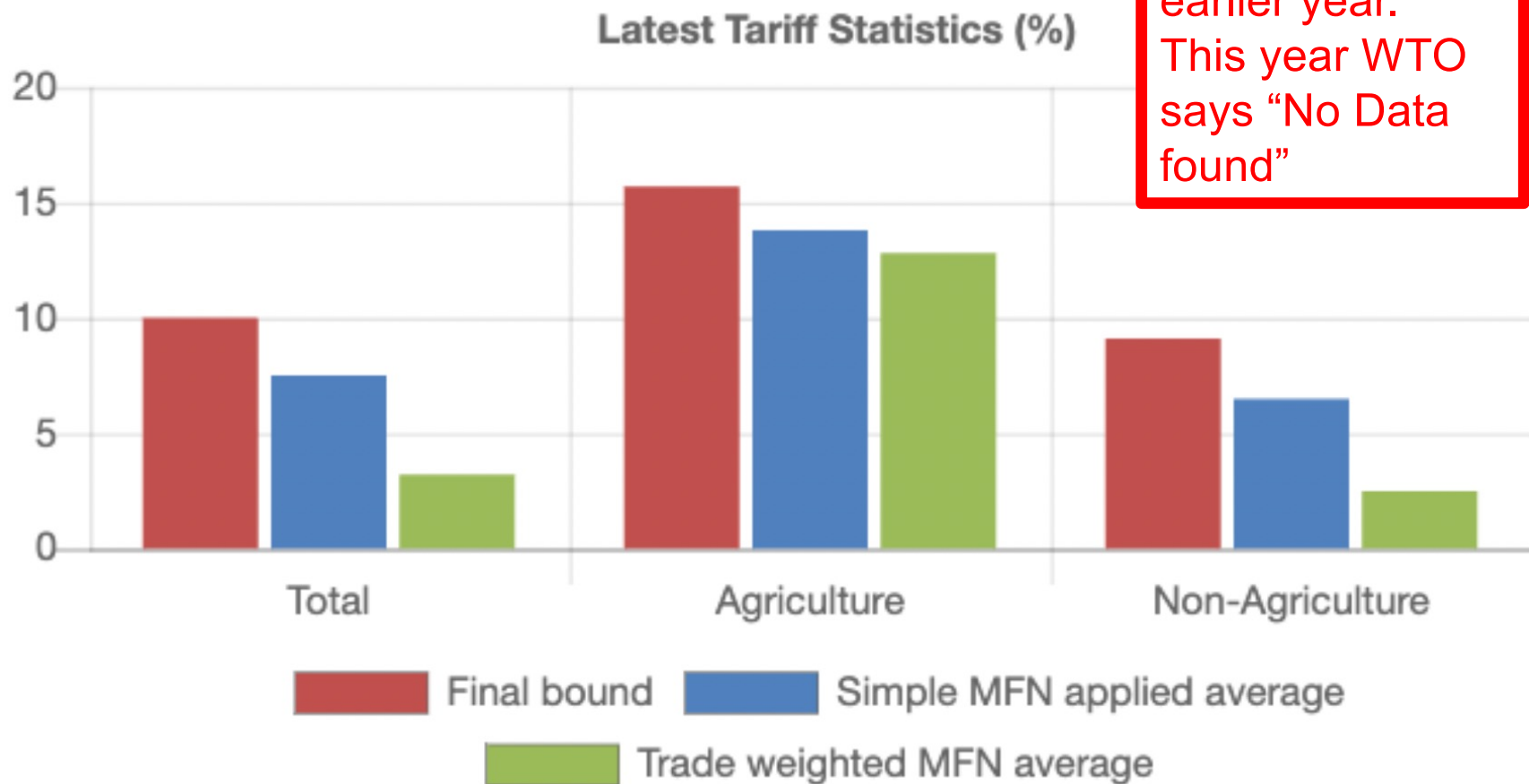
# Outline

- European Union
- Japan
- **China**
- Other

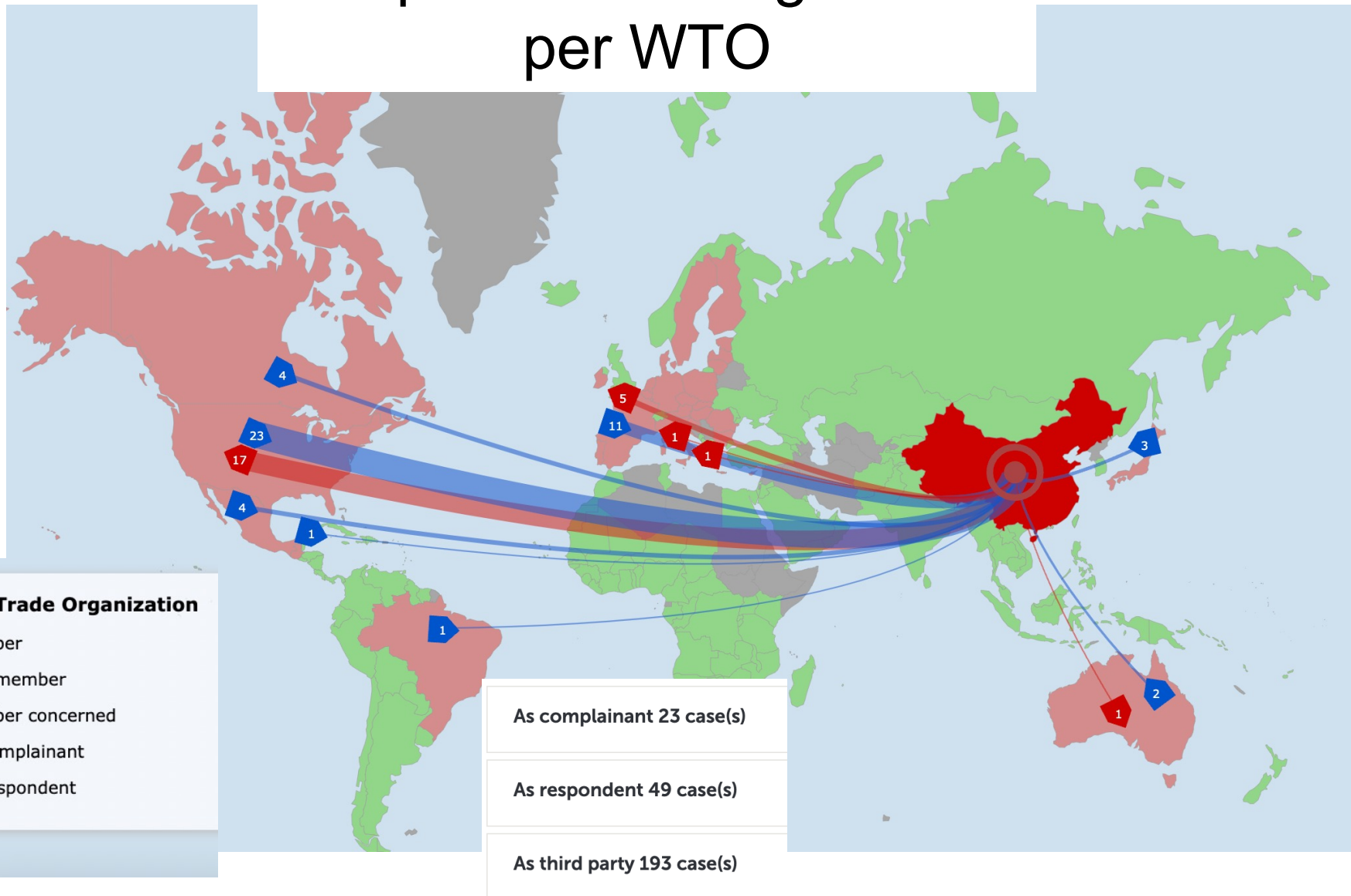
# China

- Part of government dealing with trade
  - MOFCOM = Ministry of Commerce
    - Mission: To draft the laws and regulations governing foreign trade

# China Tariffs per WTO

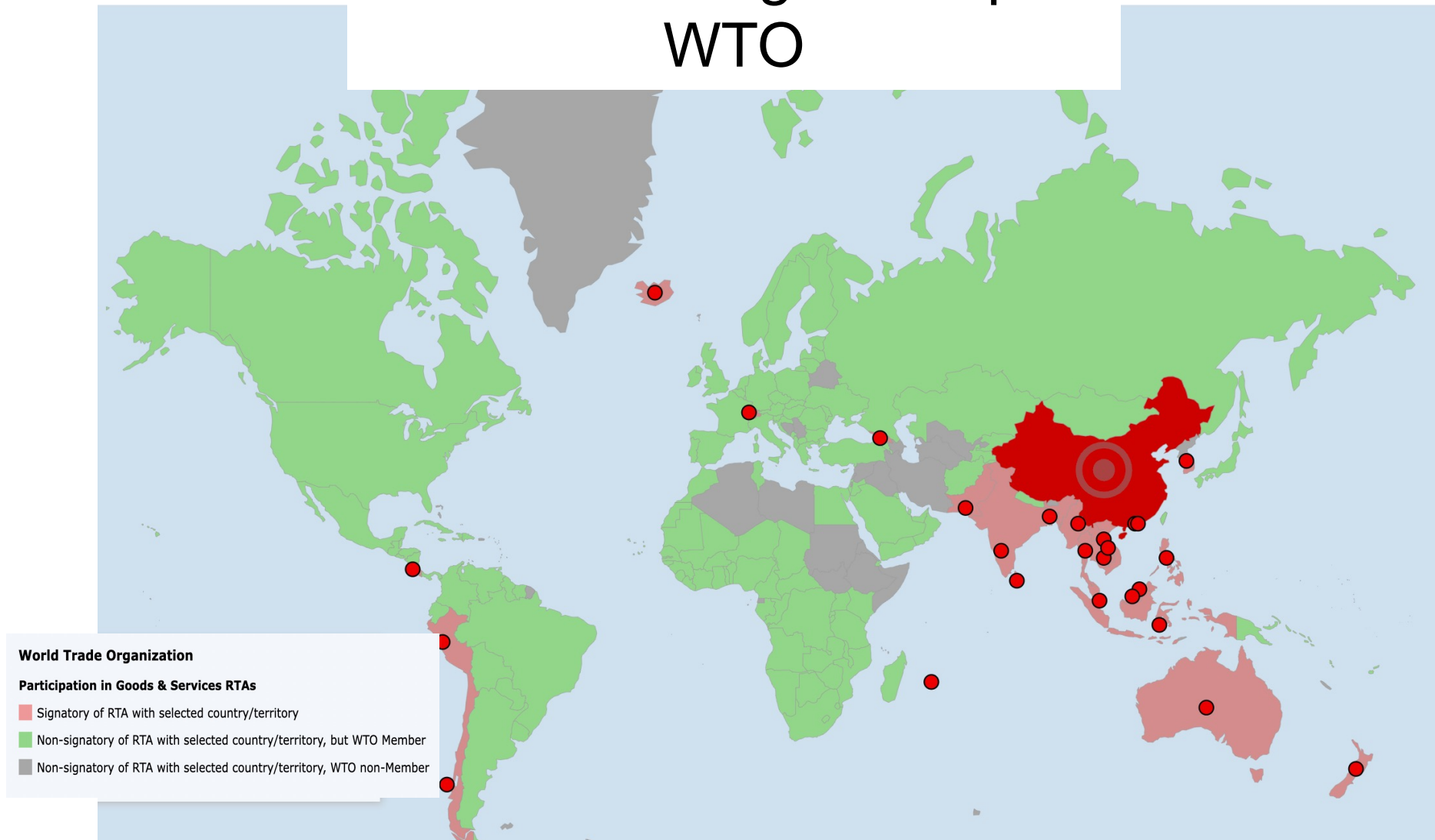


# Disputes Involving China per WTO





# FTAs Involving China per WTO



# China

- Disputes at WTO in 2022-23: Respondent Complainant
  - DS615: United States - Measures on Certain Semiconductor and other Products, and Related Services and Technologies, China
    - In consultations since 12 December 2022
  - DS611: China— Enforcement of intellectual property rights, EU
    - Consultations requested 18 February 2022; panel composed
  - DS610: China—Measures concerning trade in goods and services, EU
    - Consultations requested 27 January 2022; panel composed
  - DS603: Australia—Anti-dumping and countervailing duty measures on certain products from China
    - Consultations requested 24 June 2021; panel composed
  - DS602: China—Anti-dumping and countervailing duty measures on wine from Australia
    - Consultations requested 22 June 2021; panel composed

# Pause for Discussion

# Questions on China's “Trade Policy Review 2021”

- How has China's GDP growth rate changed? How has its current account surplus changed?
- Does the government intend to eliminate State Owned Enterprises?
- How, if at all, does China manage inward foreign direct investment?

# Questions on “Trade Policy Review 2021” continued

- How high are China’s tariffs?
- What is China’s policy regarding trade in garbage (solid waste)?
- Does China use tariff-rate quotas?
- Has China made any changes in its intellectual property rules and procedures?

# Questions on Wei “China Spends Far More Than Others”

- As percent of GDP, how does China’s government support compare to US and also the second most supported?
- Might the US respond to this with policy?
- What forms does China’s government support take?

# Outline

- European Union
- Japan
- China
- Other

# Other

- United Kingdom
  - Department for International Business and Trade
    - Minister of State for Trade: Nigel Huddleston since February 2023
    - Trade Secretary: Kemi Badenoch since September 2022
      - “Secretary of State for Business and Trade”
  - UK Trade Remedies Authority
    - Handles AD, CVD, and Safeguards





# Other

- Australia
  - Minister for Trade and Tourism
    - Senator the Hon Don Farrell since June 1, 2022
  - Anti-Dumping Commission
    - Handles ADD & CVD



# Other

- Switzerland
  - Federal Department of Economic Affairs, Education and Research
    - Headed by Guy Parmelin since 2019
    - (Now also President)
  - Does not use ADD, CVD, safeguards, or quotas
  - Has many FTAs, including with EU



# Other

- South Korea
  - Ministry of Trade, Industry, and Energy
    - Minister: Lee Chang-yang
      - Since May 2022
    - Minister for Trade: Ahn Duk-geun
      - Since ? 2022
      - PhD Econ UM under Deardorff



