

# Discussion of IATRC Theme Day Paper:

## “What Does Globalization Mean For the WTO? A View from Economics”

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# Summary of paper

## Main Idea:

**Doha Round based on non-reciprocal special-and-differential treatment (SDT), however:**

- incompatible with developing country (DC) gains**
- WTO faces a “latecomers” problem**
- DCs need to negotiate reciprocally**

**Basic argument draws extensively on notion of WTO as solution to terms-of-trade driven Prisoners’ Dilemma (Bagwell and Staiger, 1999; 2001)**

## **Logic of Key Results:**

**DCs have not gained much from previous rounds of GATT/WTO (Subramanian and Wei, 2007)**

**Reciprocal exchange of market access by OECD countries does not change world prices – therefore, no benefits to DCs from SDT**

**Problem - difficult to identify reciprocal tariff bargains between OECD and DCs**

**Solution may require de facto “increase” in OECD tariffs, in order to “make room” for negotiations with DCs to cut tariffs**

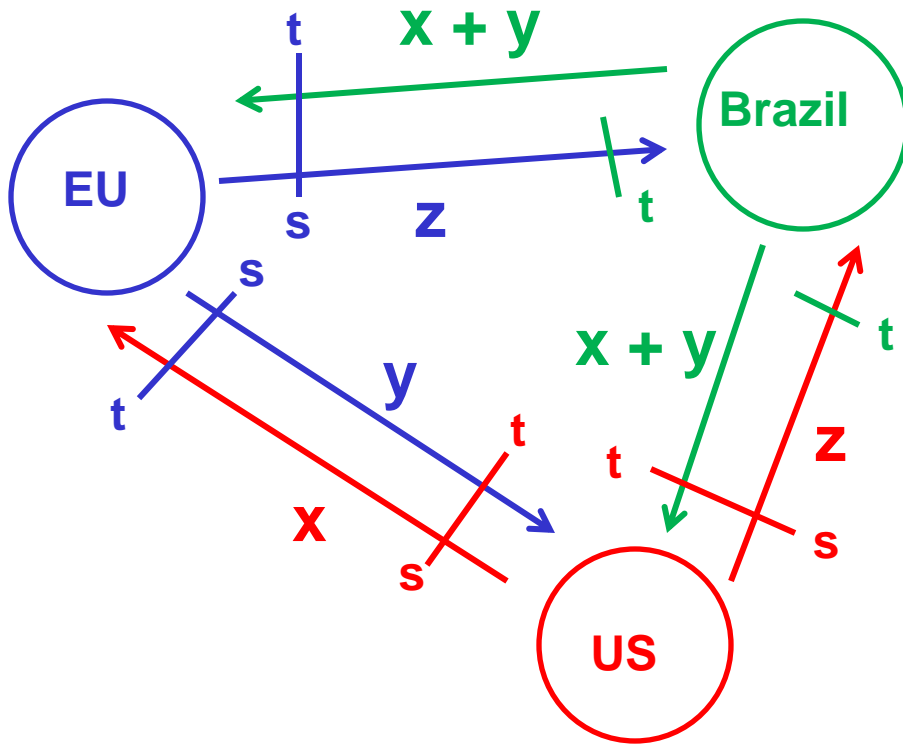
## **Agriculture:**

**Doha Round negotiations on agriculture need to:**

- get DCs to bargaining table in markets where they are large and will negotiate reciprocally on tariffs**
- use reduction of export subsidies by OECD to generate trade gains for DCs, as well as being a means of enticing them to bargaining table**

**General equilibrium effects:**

- cutting tariffs stimulates DC exports**
- cutting export subsidies reduces OECD imports**



# Questions

**If OECD countries cut export subsidies, do they still reduce tariffs in exchange for cut in tariffs by DCs?**

**Model seems logical in case of large exporting DC such as Brazil – but how do you get smaller exporting DCs to bargaining table?**

**What's in it for China and India?**

**If tariffs are high between DCs, why not get them to negotiate reciprocally among themselves but not be bound by MFN?**

**What about importing DCs who may face worsening terms of trade?**

# Questions

**To what extent is there a WTO bargaining problem?**

**Is the “market access preservation rule” strong enough to work if Doha Round is concluded?**