Discussion of IATRC Theme Day Paper:

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

Robert Staiger

Ian Sheldon  (Ohio State University)
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?