

# Quantifying GATT Trade Liberalization

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Large-scale tariff reductions within the framework of the GATT/WTO have come as a result of a series of nine rounds of negotiations that began in 1947.

The literature that attempts to explain this gradual reduction in trade barriers over time is almost completely theoretical.

In Devereaux (1997), increasing benefits of integration to consumers gradually increase the costs of trade wars and lead to free trade over time. Similarly, Chisik's (2003) assumption that capacity accumulation in the export sector is partially irreversible leads to a gradually increasing dependence of export producers on trade and therefore increases countries' incentives to lower tariffs in successive negotiating rounds. On the import-competing side, Staiger's (1995) model focuses on reductions in the size of the import-competing sector, with gradualism arising from the presence of workers with specialized skills that allow them to earn rents in the import-competing industry. In the context of unilateral trade opening, Mehlum (1998) demonstrates that gradual tariff reductions can improve welfare in the presence of a minimum wage, whereas Mussa (1986) shows similar results by assuming the presence of adjustment costs that are convex in the number of workers leaving the import-competing sector. Furusawa and Lai (1999) show a similar result in the context of an infinitely repeated tariff setting game between governments, and Zissimos (2007) demonstrates that the GATT requirement that punishments be limited to the 'withdrawal of equivalent concessions' generates gradualism.

## References

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### Questions for analysis stage

- Which products/industries suffer from large tariff cuts and which industries/products continue to receive protection?
- What was the total reduction in negotiated tariffs under the GATT (relative to the 1930 Smoot-Hawley tariffs for the U.S.) in each round? That is, just what did the GATT accomplish?
- Were tariffs cut gradually across the board, or was there variation in the speed with which tariffs were cut across products? If there is variation, can we find an explanation for that variation?
- Which types of products had ad-valorem versus specific tariffs, and how did this change over time? What role did the presence of specific tariffs, combined with inflation, have in reducing the total level of tariff protection?
- How does the number of countries who are negotiating relate to the number of lines that are included?
- Can we just look at the number of pages for the schedule for each country?