

国际经济学

贸易政策的国际协调：WTO 与 PTA

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提纲

- 1 贸易谈判的经济学分析
- 2 国际贸易协定的历史与现状
- 3 Preferential Trade Agreements 特惠贸易协定

Benefits of Trade Negotiations

- Other countries will demand less protection from Home
- Nice way to counter special interests at Home by getting exporter involved
- Can also help avoid a trade war

Trade War 的经济学分析

		China	
		Free Trade	Protection
US	Free trade		

		China	
		Free Trade	Protection
US	Free trade	10B	20B

- 在其他国家政策给定的情况下，任何一国政府都会选择保护政策

Trade War

		China	
		Free Trade	Protection
US	Free trade	10B	<u>20B</u>

Trade War

		China	
		Free Trade	Protection
US	Free trade	10B	<u>20B</u>
US	Protection	-10B	-5B

Trade War

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- 即使各国政府单独行动，采取保护政策也会使损失更小
- 博弈论中把这种策略称为什么？

		China	
		Free Trade	Protection
US	Free trade	10B	10B
US	Protection	20B	-10B

Trade War

		China	
		Free Trade	Protection
US	Free trade	10B 10B	<u>20B</u>
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Trade War

		China			
		Free Trade		Protection	
US	Free trade	10B	10B	<u>-10B</u>	<u>20B</u>
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任志强谈中美贸易战

世界上凡愿意打开大门的国家,都谈得成,不想打开大门的,都谈不成

- 博弈论中把这种情形称为什么？
- 如何避免出现这种情况，或者说避免出现这种情形的唯一出路是什么？

But if you wish to listen, let the men tie you in the lugger, hand and foot, back to the mast, lashed to the mast, so you may hear those harpies' thrilling voices...[Homer, Odyssey]



"Odysseus and the Sirens" (2)

If countries can establish a binding agreement to maintain free trade, both can avoid the temptation of protection and both can be made better off. \Rightarrow World Trade Organization (WTO)

- 1 Reduction of tariff rates
- 2 Binding
- 3 Prevention of non-tariff barriers

Trade War

- Side note: Prisoner's dilemma not as bad if repeated
- How would does WTO affect the one-shot prisoner's dilemma?

		China			
		Free Trade		Protection	
US	Free trade	10B	10B	<u>-10B</u>	<u>5B</u>
US	Protection	<u>5B</u>	-10B	<u>-5B</u>	<u>-5B</u>

1 贸易谈判的经济学分析

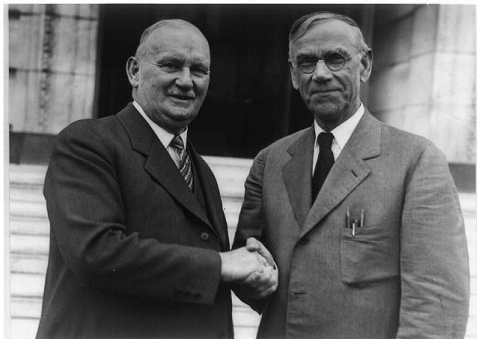
2 国际贸易协定的历史与现状

3 Preferential Trade Agreements 特惠贸易协定

History of Trade Agreements

- For most of history trade impediments had existed even within countries
- A famous early trade agreement was the Zollverein 德意志关税同盟, a customs union between German states signed in 1834
- Other agreements between countries/empires were signed in the 19th century, the most famous of which being the Cobden–Chevalier Treaty of 1860(1860 年英法签订《柯布登条约》)
- 该条约中最为精巧的设计来自 “最惠国待遇”

- Tensions among countries rose after WWI and with the advent of the great depression many countries turned to protectionism
- In 1930, the U.S. passed a very stringent tariff law, the **Smoot-Hawley Act** (tariffs rose and US trade fell)
 - Very soon, the government decided this tariff was a bad idea
 - However, special interests protected by the tariff made it very difficult to repeal



History of Trade Agreements(cted.)

- The initial solution to this problem was bilateral negotiations, where concessions to US exporters were traded for reductions in US tariffs
- This was feasible, as it balanced the interests of exporters against those of importers
- The average duty on US imports fell from 59% in 1932 to 25% in 1945
- Multilateral negotiations began after WWII ended
 - A body called the International Trade Organization was proposed

History of Trade Agreements (cted.)

- The ITO ran into strong political opposition, especially in the U.S., and in fact was never established
- Instead, 23 countries began trade negotiations under some provisional rules known as the General Agreement on Tariffs and Trade (GATT)
- Eight rounds of trade negotiations were carried out under these rules until the final (Uruguay) round established the WTO in 1995
- Over this 50-year period, restrictions on trade fell and the volume of trade rose considerably

Quick and Dirty History of GATT Rounds

Name of the Round or Location	Dates	Value of Trade Involved (roughly)	No. of Countries Participating	Notable Outcomes
Geneva	1947	\$10 billion	23	45,000 tariff cuts -- average 35 percent cut
Annecy (France)	1949	n/a	13	tariff reductions
Torquay (England)	1950-51	n/a	38	tariff reductions
Geneva	1956	\$2.5 billion	26	tariff reductions
Dillon Round	1960-61	\$4.9 billion	26	tariff reductions
Kennedy Round	1962-67	\$40 billion	62	35 percent average cut on industrial goods; commitments on use of anti-dumping laws
Tokyo Round	1973-79	\$155 billion	102	34 percent average cut on industrial goods; commitments on non-tariff measures
Uruguay Round	1986-93	\$3.7 trillion	123	services trade and intellectual property included; "built-in agenda" on agriculture, WTO institution created
Doha Round	2001-	n/a	148+	fully incorporates services and agriculture, trade facilitation, development agenda

The GATT and the WTO

WTO negotiations address trade restrictions in at least 3 ways:

- 1 Reducing tariff rates through multilateral negotiations 杠杆
- 2 Binding tariff rates: a tariff is “bound” by having the imposing country agree not to raise it in the future 棘轮
- 3 Eliminating nontariff barriers: quotas and export subsidies are changed to tariffs because the costs of tariff protection are more apparent and easier to negotiate
 - Subsidies for agricultural exports are an exception
 - Exceptions are also allowed for “market disruptions” caused by a surge in imports

The WTO

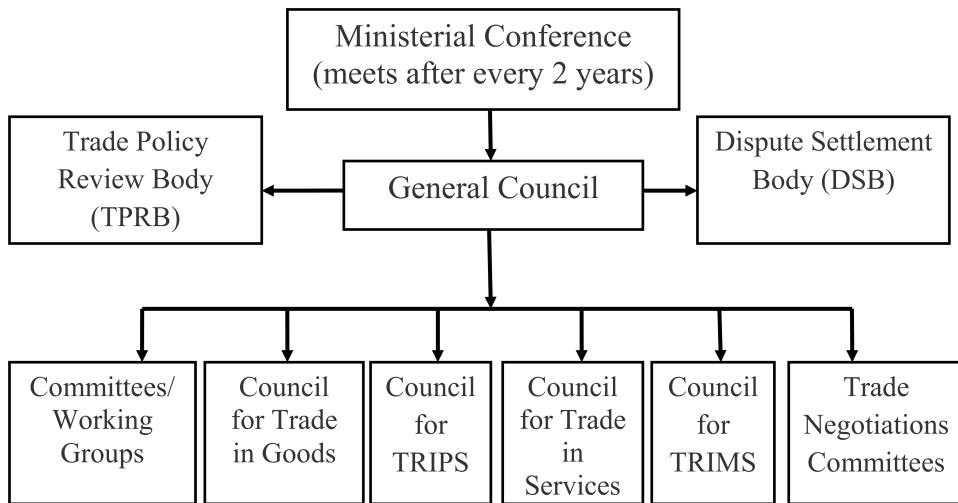
The WTO differs from GATT in several ways

- 1 缔约国-成员
- 2 It applies not just to trade in goods but also to trade in services (though this has not yet had much impact)
- 3 It has taken up the issue of intellectual property rights through an agreement on the Trade-Related Aspects of Intellectual Property (TRIPS)
- 4 It has a formal **dispute settlement procedure**

The Dispute Settlement Procedure

- Under GATT, even if rulings were made against some countries for particular actions, there was no enforcement mechanism
- The WTO organizes panels of experts to hear cases, and who make rulings relatively quickly
- The injured parties are then allowed to impose restrictions on the country in violation (e.g., U.S. steel)

The Administrative Structure of WTO



The Doha Round

- In 2001, a new round of negotiations was started in Doha, Qatar, but these negotiations have not yet produced an agreement
- Part of the reason for this is that the potential gains from further liberalization are modest
- The sectors that are left to liberalize (agriculture, textiles, clothing) are particularly politically sensitive
- It was harder to generate Pareto improvements for all countries involved (Brazil and India complained)

The Doha Round

TABLE 10-4 Percentage Distribution of Potential Gains from Free Trade

Economy	Full Liberalization of:			
	Agriculture and Food	Textiles and Clothing	Other Merchandise	All Goods
Developed	46	6	3	55
Developing	17	8	20	45
All	63	14	23	100

Source: Kym Anderson and Will Martin, "Agricultural Trade Reform and the Doha Agenda," *The World Economy* 28 (September 2005), pp. 1301–1327.

TABLE 10-5 Percentage Gains in Income under Two Doha Scenarios

	Ambitious	Less Ambitious
High-income	0.20	0.05
Middle-income	0.10	0.00
China	−0.02	−0.05
Low-income	0.05	0.01
World	0.18	0.04

Source: See Table 10-4.

Agricultural Subsidies and LDCs

- Rich countries protect textiles and agriculture, where LDCs might have comparative advantage
- This lowers world prices and can be quite harmful for LDCs that are large exporters of these goods
- For example, the US and EU heavily subsidize domestic cotton growers
 - In 2001-2 US government subsidies to America's 25,000 cotton farmers amounted to \$160,000 per farmer (\$4 billion total)
 - Since the mid-1990s cotton prices have fallen by half
 - This has had a big impact on some of the world's other cotton producers
 - US subsidies cost some countries more than 1% of their GDP per year
 - But other countries benefit (cotton-importing countries)

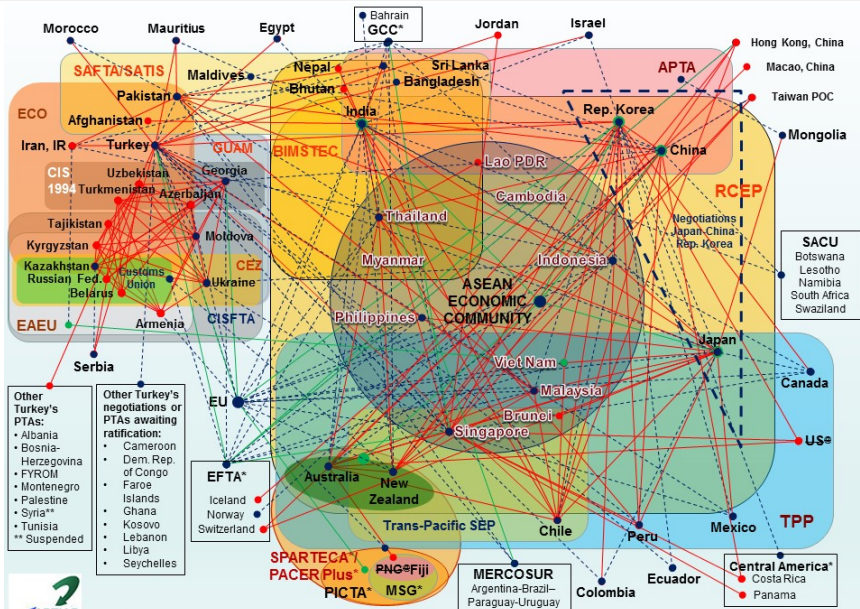
The Doha Round



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Preferential Trade Agreement

- Under the GATT and WTO, reductions in tariff rates are nondiscriminatory (they must apply to all members)
- “Most Favored Nation” status implies that a country receives the minimum tariff applied to all potential importers
- Only allowed under WTO if totally eliminate tariffs between partners
- 1 **free trade area:** an agreement that allows free trade among members, but each member can have its own trade policy towards non-member countries (e.g., NAFTA)
- 2 **custom unions:** an agreement that allows free trade among members and requires a common external trade policy towards non-member countries. (e.g., European Union)
- Surprisingly, entering a free trade area can make a country worse off!
- Some estimate that Mexico actually was made worse off by NAFTA



Trade Creation vs. Trade Diversion

- Are preferential trading agreements necessarily good for national welfare?
- No, it is possible that national welfare decreases under a preferential trading agreement
- How? Rather than gaining tariff revenue from inexpensive imports from world markets, a country may import expensive products from member countries but not gain any tariff revenue
 - Trade Diversion may dominate Trade Creation
 - World Bank Report claimed that, for Mercosur, $TD > TC$

Preferential Trade Agreement

	UK	F	US	UK import from
p	8	6	4	US
1 st case				
$p + t$	8	11	9	-
CU with F	8	6	9	F (trade creation)
2 nd case				
$p + t^2$	8	9	7	US
CU with F	8	6	7	F (trade diversion)

The End of International Trade

- Today was a catch-all for trade policy issues
- The remaining issue is **Trade and Development**. Absolutley it means a lot to every country. But I decided to skip it for its straightforward meaning. You can easily get the idea by reading the textbook yourselves.
- We Next time start International Finance section!