



# International Trade

- The International Political Economy of Trade
- Philosophies of Trade
  - Mercantilism
    - Protectionism
  - Commercial Liberalism
    - Comparative advantage
- The International Trade Regime





# Comparative Advantage and the Gains from Trade

Country	<i>Worker Productivity per Hour</i>		<i>Before Specialization</i>		<i>Specialization, No Trade</i>		<i>Specialization with Trade</i>	
	Camera	Computer	Camera	Computer	Camera	Computer	Camera	Computer
Japan	9	3	900	300	990	270	910	300
United States	4	2	400	200	320	240	400	210





# International Trade Regime

- Origins of Trade Regime
  - Regime: set of institutions, rules and expectations governing some area of international activity
  - How do such regimes get established in world of sovereign states?





# International Trade Regime

- Origins of Trade Regime
- Hegemonic Stability Theory
  - peace and free trade depend upon a great power willing and able to use economic and military strength to promote global stability
  - United States now; Britain before
  - hegemon helps provide collective goods that benefit all
  - promotes free trade and free markets





# International Trade Regime

- Origins of Trade Regime
- Hegemonic Stability Theory
- Declining Hegemon?
  - US remains largest economy
  - US share of world output declining
  - US now largest debtor nation
  - Dangers of imperial overstretch?





# International Trade Regime

- Bretton Woods System
  - 1944 Conference
  - IGOs: World Bank, IMF
  - Trade?





# International Trade Regime

- Bretton Woods System
  - 1944 Conference
  - IGOs: World Bank, IMF
  - Trade?
- General Agreement on Tariffs and Trade, 1947
  - Aimed at reducing tariffs through reciprocal agreements
  - Series of multilateral negotiations
    - Reciprocity
    - Nondiscrimination of foreign goods





# International Trade Regime

- GATT
  - Uruguay Round, 1986-1994
  - Extended to services and intellectual property





# International Trade Regime

- GATT
  - Uruguay Round, 1986-1994
  - Extended to services and intellectual property
- World Trade Organization, 1995-
  - Successor to GATT
  - Continues multilateral negotiations (eg., Seattle 1999)
  - Procedures for settling trade disputes





# International Trade Regime

- WTO dispute settlement procedures
  - Complaint to Dispute Settlement Body





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  - Mandatory Consultations





# International Trade Regime

- WTO dispute settlement procedures
  - Complaint to Dispute Settlement Body
  - Mandatory Consultations
  - Formation of Panel
    - Each side presents case in writing prior to 1<sup>st</sup> hearing
    - Hearing of complaint and defense
    - Rebuttals
    - First draft report of facts to both parties for comment
    - Interim report with conclusions to both parties
    - Final report adopted by Dispute Settlement Body





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- WTO dispute settlement procedures
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  - Formation of Panel
  - Appeal to 3 members of a permanent Appellate Body





# International Trade Regime

- WTO dispute settlement procedures
  - Complaint to Dispute Settlement Body
  - Mandatory Consultations
  - Formation of Panel
  - Appeal to 3 members of a permanent Appellate Body
  - Implementation
    - Parties must agree on how to implement report
    - Limited sanctions (usually tariffs) may be authorized by WTO





# International Trade Regime

- Dispute settlement in practice
  - Venezuela, US and gasoline, 1995-1997
  - US, EU and bananas, 1993-2001



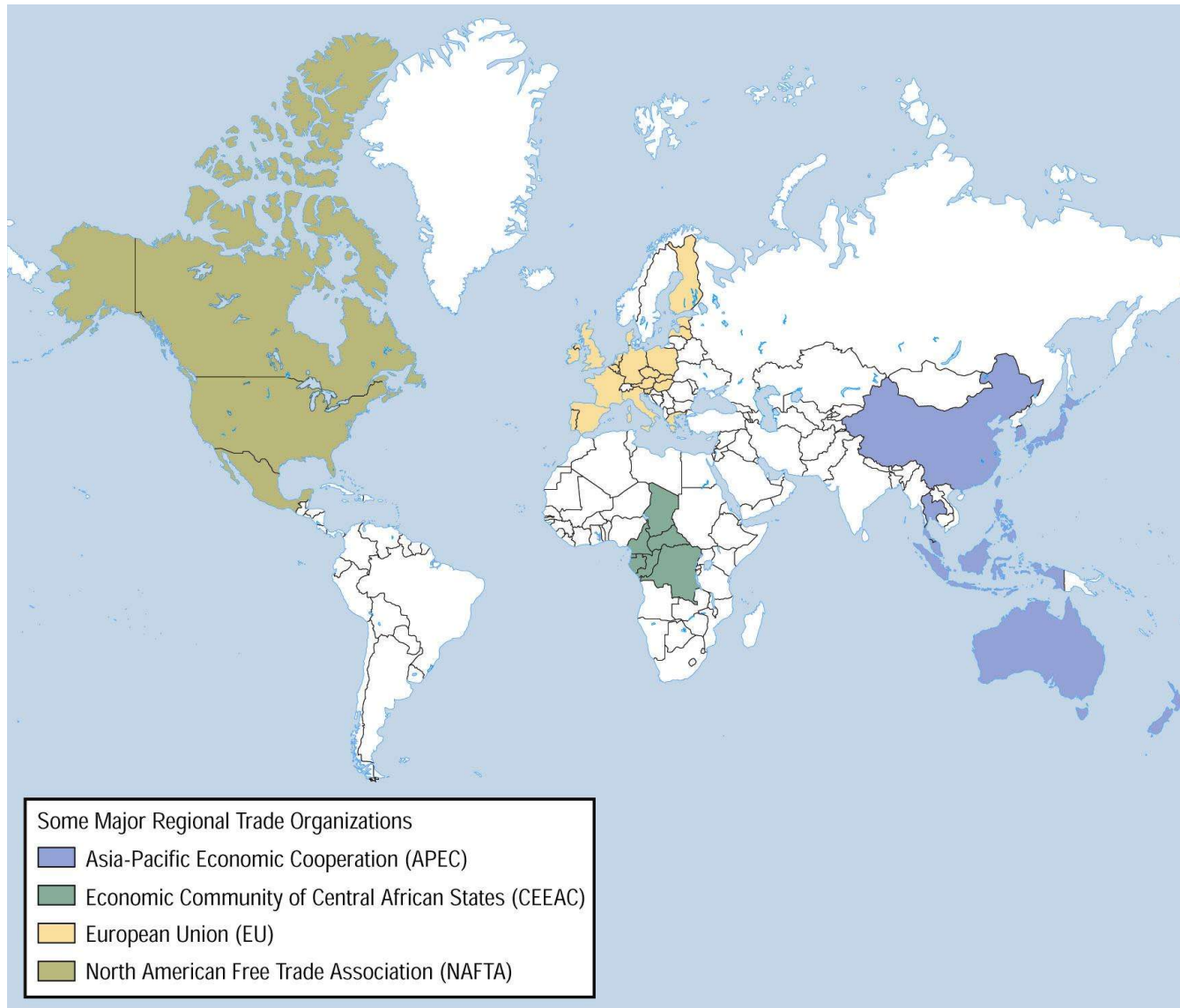


# International Trade Regime

- Regional Trade Blocs
  - European Economic Community, 1957
  - NAFTA
  - FTAA talks in Miami



# Four Major Regional Trade Organizations



# Regionalization of Global Trade

