

**WTO/ESCAP Second ARTNeT
Capacity Building Workshop on
Trade Research,
17-21 April 2006**

**The Multilateral Trading System:
Architecture and Rationale**

Research and Trade Policy Formulation

- What policymakers need to know: the role of research
 - Empirical research and theory
 - A fundamental distinction in empirical research:
 - Understanding policy relationships
 - Predicting the consequences of policies
 - Research versus description
 - Research versus advocacy
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Research and Trade Policy Formulation (cont.)

- Quantification, estimation and evaluation – commonly applied techniques:
 - Partial equilibrium models
 - General equilibrium models
 - Gravity models
 - Case studies
 - Aggregation, generalization and the challenge of being relevant
 - Where do we get the numbers?
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Core Objectives of the WTO

- ❑ Raising standards of living
 - ❑ Ensuring full employment
 - ❑ Ensuring a large and steadily growing volume of real income and effective demand
 - ❑ Expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources
 - ❑ ... seeking both to protect and preserve the environment and to enhance the means for doing so in a a manner consistent with the respective needs and concerns of Parties to the Agreement at different levels of economic development
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Core Functions of the WTO

- Forum for negotiations:
 - further trade liberalization
 - adjustment and introduction of new rules
 - System for administering trade rules
 - Mechanism for settling trade disputes among Members
 - System for ensuring greater transparency in trade policy
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Theory, Politics and the Gains From Trade

- Gaps between practice and theory
 - The gains from trade revisited
 - Politics and free trade
 - Welfare arguments against free trade
 - Domestic market failures and free trade
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Core Principles of the WTO

Basic Rules

- Non-discrimination plus exceptions (MFN and NT)
- Tariffs alone
- Subsidies
- Contingency protection
- Standards
- General exceptions
- Transparency

Conventions

- Reciprocity and Non-reciprocity
 - Consensus
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Non-Discrimination

- Most-Favoured-Nation and National Treatment
 - The economics of non-discrimination
 - Exceptions in the system:
 - Regionalism
 - Special and differential treatment
 - Trade preferences
 - Contingency protection
 - General exceptions
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Core Principles (cont.)

- ❑ Tariffs alone: non-equivalence between tariffs and QRs and exceptions to the rules
 - ❑ Subsidies: production and exports subsidies – differentiated rules
 - ❑ Contingent protection: safety valves and a defence – anti-dumping and countervailing duties, safeguard actions
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Core Principles (cont.)

- Standards: the role of regulation: TBT and SPS agreements
 - General exceptions: health, safety, environment, public morals, etc.
 - Transparency: information asymmetries, reducing uncertainty
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Conventions

- Reciprocity: the economics and politics of reciprocity and non-reciprocity
 - Consensus decision-making: the pros and cons of the convention
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