The Rationale for International Trade Cooperation

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Why countries cooperate

The pre-WWII world

- Government failure
- Limited international cooperation
- Acute economic hardship
- Erratic trade policy
- Discrimination and policy tension
- Armed conflict
The birth of the multilateral trading system

• The post-war international architecture
  – The role of institutions
  – Pre-commitment
  – Greater certainty and stability
  – Greater legitimacy

• The challenges of institutional continuity today
Why do nations cooperate in trade?

Economic perspectives

• Terms of trade approach (prisoners’ dilemma)
• Political economy approach (dual objectives)
• Commitment approach (tying hands)
• Other explanations (market size, security, insurance)
Why do nations cooperate in trade?

IR perspectives

• “Rationalist” approaches
  • Neoliberal institutionalism
  • Neorealism
  • Liberalist

• Social constructivist approaches

• Security approach
Why do nations cooperate in trade?

Legal perspectives

• Arguably more descriptive and prescriptive than explanatory

• Individual citizens are the legitimate principal in all domestic and world affairs

• Government “failure” needs correcting

• Rôle of constitutions
Why do nations cooperate in trade?

• **Pulling together the strands**

• **Agreements contribute to solving a domestic efficiency problem** (political economy, commitment, liberalism, legal inward-oriented)

• **Agreements address international spillovers** (terms of trade, neoliberal, institutionalism, inward-outward legal)

• **Ideas influence cooperation** (constructivism, hegemonic stability, neoliberal institutionalism, cosmopoliticla approaches)

• **Agreements define power relations, offensively and defensively** (neorationalism, hegemonic stability)
Why do nations cooperate in trade?

Policy conclusions

• Varied motivations for cooperation – need something for everybody
• No single theoretical perspective will do
• Post-agreement uncertainty
  • Incomplete contracts
  • Changed circumstances
  • Changes in underlying interests
• Analytical and conceptual deficit