

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, cosmopolitan 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