

## **Week 7: Trade Disputes Between Countries and Within Them**

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***Bhagwati, The Wind of the Hundred Days***

**Chs. 21-28, pp. 203- 253**

**Problem:** The WTO dispute settlement mechanism

**Solutions:**

- 1) Coordinate short-term relief from the World Bank and/or the IMF; long term aid to offset the loss of real income
- 2) Ruling out retaliation as a remedy preferring compensation instead

**Problem:** Trade and Culture

**Solutions:**

- 1) Noneconomic objectives such as culture must be accommodated in the establishment of free trade
- 2) Subsidize domestic markets so that they will be able to compete with foreign enterprises
- 3) Product labeling

**Problem:** Trade diversion through Preferential Trade Agreements (PTAs)

**Solutions:**

- 1) Revert to exclusive focus on multilateralism and MFN – based trade liberalization
- 2) Ask the South American nations to join in the multilateral opening of markets
- 3) Pursue regionalism and its separate objectives through non-PTA means

**Problem:** Chinas admittance into the WTO

**Solutions:**

- 1) Admittance will help current members conform to rules based on market trade and human rights
- 2) If member fails, WTO will impose discipline that will deter deviant behavior

**Problem:** U.S. position as leader in deregulation and openness process

**Solutions:**

- 1) Countries that lower their trade barriers profit themselves; i.e. history of unilateral freeing of trade
- 2) U.S. role as a world leader is crucial to maintaining trend toward free trade.
- 3) Benefits of competitiveness are seen in companies with freer trade

- 4) Trade helps moderate workers' fall in wages from technological changes

**Problem:** Conflicting views about linkages between social agendas and trade policy

**Solutions:**

- 1) Need to assemble coalitions with the power to get the job done and the wisdom to compromise in the name of the greater good
- 2) Need to have proactive agendas at appropriate international agencies
- 3) Agenda needs to be broken up into core issues and new "contentious" issues
- 4) WTO must benefit all members and not become "prisoner of every developed-country lobby or group that seeks to advance its agenda at the expense of the developing countries."
  - ❖ Social agendas were a key factor in the failure of the Seattle WTO conference