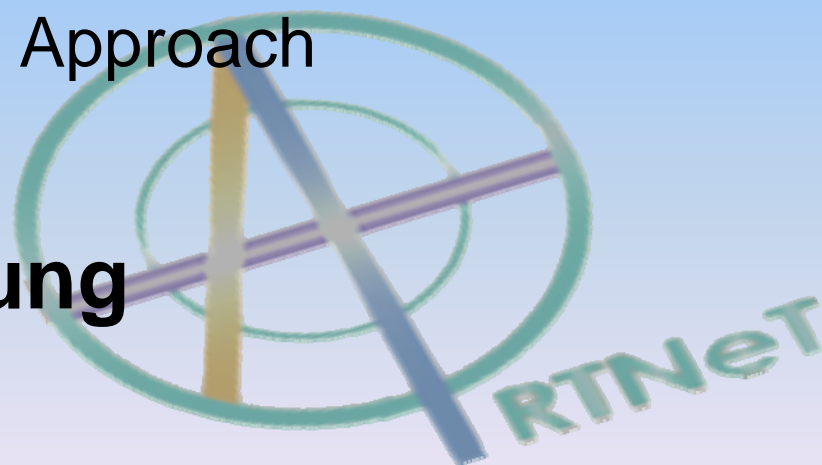


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Session 4

Developing Countries and the World Trade Organization:
A Foreign Influence Approach

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Asia-Pacific Research and Training Network on Trade

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*Developing Countries and the World Trade
Organization: A Foreign Influence
Approach*

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Developing Countries and the World Trade Organization: A Foreign Influence Approach

- *As Doha Round trade talks floundered, there have been increasing criticisms of the behavior of the rich and powerful countries during the numerous series of negotiations.*
- *Several influential countries were accused of trying to manipulate other weaker contracting parties to go along with their proposals.*
- *According to **ActionAid**, "Threats, deception and manipulation are the underhand negotiation tactics used by rich countries such as the EU and US in the current round of global trade talks" (ActionAid 2006).*



Developing Countries and the World Trade Organization: A Foreign Influence Approach

- *There are also increasing concerns by some developing countries that due to the asymmetric economic, political and diplomatic powers between the powerful parties and the relatively powerless members, the world trading system as coordinated and implemented by the World Trade Organization (WTO) is fundamentally unfair.*
- *"The problem is that the world trade is unfair, and the WTO rules are part of the problem."
(Duncan Cameron, Progressive Economics Forum 2007).*



Developing Countries and the World Trade Organization: A Foreign Influence Approach

- *“In short, appealing as the idea of some kind of multilateral trade system might be in principle, it seems clear that the WTO as it currently operates does not constitute such a system. Far from setting fair trade rules to protect the interests of the weak, the WTO has been complicit in reinforcing the interests of the strong: Anarchy – the threat (real or supposed) used to justify the WTO – may be bad for the weak, but the tyranny of the strong may be worse.” (Pp. 302-304, Jawra and Kwa 2003) .*



Developing Countries and the World Trade Organization: A Foreign Influence Approach

- *The aim of this paper is to provide an analytical examination of this line of criticism.*
- *We will utilize a formal model with the following features: in both the powerful and the weak economies, pressure groups lobby to influence their trade policies in their respective countries. We then allow the powerful country the exclusive ability to spend resources to facilitate the lobbying of one of the pressure groups in the weak country, thereby moving the trade policy of the developing country in favor of the powerful trading partner. This feature of asymmetric foreign influence defines the difference between the "powerful" and the "weak" in our model.*



Developing Countries and the World Trade Organization: A Foreign Influence Approach

- *Our analytical approach is essentially a hybrid model combining a variant of the Grossman-Helpman protection-for-sale framework (1994) and the more recent foreign influence approach by Antras and Miquel (2008).*
- *Our paper differs from both sets of literature since in the literature related to the Grossman-Helpman framework, there is generally no modeling of foreign influence, while in Antras and Miquel (2008), there are probabilistic voters but no pressure groups. As mentioned before, we want to take the criticisms of the WTO seriously and utilize the asymmetric foreign influence feature to analytically portrait the difference between the rich, powerful country and the weak, developing economy.*

Developing Countries and the World Trade Organization: A Foreign Influence *Each*

*conclusion that comes out of our
ination is that the strong (developed)
try will always have an incentive to try to
ipulate" the weak (developing) country.
precisely because the strong will always
to expend resources to "exploit" the
that it is in the interest of the
loping countries to constrain the
erful members with principles of
iscrimination (such as the most-favored-
n principle) as embodied by the WTO.*

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