Private Regulators in Global Product Markets

Tim Büthe and Walter Mattli

in The New Global Rulers: The Privatization of Regulation in the World Economy

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This chapter examines the role of private regulators in global product markets, with particular emphasis on institutional structure and institutional complementarity in product regulation. It first provides an overview of how the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) became, for most industries, the focal rule-making institutions for setting international product standards. It then considers the global institutional structure and decision-making procedures before describing the domestic structures in Europe and the United States. It shows that the institutional structure for setting product standards in the United States is characterized by institutional fragmentation and contestation among competing standard-setters. In Europe, by contrast, the domestic standard-setting institutions are characterized by a high degree of coordination and organizational hierarchy.

The Politics of Nuts and Bolts—and Nanotechnology

Tim Büthe and Walter Mattli

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This chapter examines how companies affected by international product standards assess these standards and the extent to which they are able to influence rule-making in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Drawing on the results of a business survey among standards
experts in firms in the United States and four European countries (Germany, Spain, Sweden, and the United Kingdom), the chapter considers the importance of institutional complementarity in international standard-setting across five industries: chemicals; rubber and plastic products; medical instruments and medical devices; petroleum products; and iron and steel products. It shows that high complementarity between standard-setting institutions at the domestic level and the institutional structure of standardization at the international level favors European over American interests in ISO and IEC. By contrast, the relatively poor fit between U.S. domestic institutions and the international structure puts U.S. firms at a disadvantage.

Trade in Goods
Bernard M. Hoekman and Michel M. Kostecki

in The Political Economy of the World Trading System: WTO and Beyond

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The main GATT (General Agreement on Tariffs and Trade) rules on specific instruments of trade control—tariffs, quotas, subsidies, customs procedures, and product standards are described, and the political economy rationale underlying them are discussed. The sections of the chapter are as follows: Tariffs, para-tariffs and indirect taxes; Quantitative restrictions and import licensing; Customs clearance-related provisions; subsidies; State trading enterprises; Technical regulations and product standards; Sanitary and phytosanitary measures; Trade-related investment measures; and Conclusion.

The New Global Rulers
Tim Büthe and Walter Mattli

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Over the past two decades, governments have delegated extensive regulatory authority to international private-sector organizations. This internationalization and privatization of rule-making has been motivated not only by the economic benefits of common rules for global markets, but also by the realization that government regulators often lack the expertise and resources to deal with increasingly complex and urgent regulatory tasks. This book examines who writes the rules
in international private organizations, as well as who wins, who loses —and why. It examines three powerful global private regulators: the International Accounting Standards Board, which develops financial reporting rules used by corporations in more than a hundred countries; and the International Organization for Standardization and the International Electrotechnical Commission, which account for 85 percent of all international product standards. The book offers both a new framework for understanding global private regulation and detailed empirical analyses of such regulation based on multi-country, multi-industry business surveys. It finds that global rule-making by technical experts is highly political, and that even though rule making has shifted to the international level, domestic institutions remain crucial. Influence in this form of global private governance is not a function of the economic power of states, but of the ability of domestic standard-setters to provide timely information and speak with a single voice. The book shows how domestic institutions' abilities differ, particularly between the two main standardization players, the United States and Europe.

US—EU Disputes over Technical Barriers to Trade and the ‘Hushkits’ Dispute

KENNETH W. ABBOTT

Product standards, conformity assessment procedures, and other technical barriers to trade (TBT) are prototypical examples of ‘low politics’. Indeed it is difficult to imagine an area of international politics ‘lower’ than product standards for gas-connector hoses, to cite one long-running US–EU dispute. This chapter is organized as follows. Section 1 begins with a discussion of US–EU conflicts over technical regulations and standards for ordinary commercial products, typified by the disagreement over gas-connector hoses. Section II discusses the hushkits case, in which the US challenged EU restrictions on the registration and operation of certain aircraft retrofitted to comply with noise limitations set by the International Civil Aviation Organization (ICAO). The final section is a brief conclusion.
Over the past 20 years, trade agreements among nations have gone beyond tariff and other border barrier reductions to agreement on domestic rules of the game – intellectual property rights, product standards, internal competition policy, government procurement and, to a lesser degree, labor and environmental standards. These more complex agreements bring deeper integration among participating nations – integration not only in the production of goods and services but also in standards and other domestic policies. As a result they imply many more trade-offs and raise new issues concerning the sharing of the gains from trade – which nations benefit and within nations, which groups benefit.

This chapter explores the costs and benefits for developing countries of the “deep integration” that characterizes international trade relations today – what we will also refer to as “modern trade,” often associated with membership in a “modern trade club” e.g., multilaterally in the World Trade Organization (WTO) or regionally in the North American Free Trade Agreement (NAFTA), Asia-Pacific Economic Cooperation (APEC) or the South American Common Market (Mercosur). We put particular emphasis on developing countries because the income gap between them and the highly industrialized nations suggests that the pressures for harmonization that modern trade and modern trade clubs bring raise particularly interesting questions for them, and thus, ultimately for global welfare. In the first section, we discuss how the trend toward deep integration has ended the special treatment of developing countries in postwar trade agreements. Then we discuss how the modern multilateral character of trade agreements, by increasing the overall efficiency of world trading markets, can generate benefits at the global level, some of which are particularly relevant to developing countries. In the third section, we consider additional benefits that are specific to developing countries as a result of their participation. After that we explore the potential costs that face developing countries with the trend toward common rules. Following a brief aside on regional trade agreements for developing countries, we conclude with reflections on the political challenges to the international community and to governments posed by the ongoing negotiation of global trading rules.
TRAIPS, Product Standards, and the Developing Economies

Rajat Acharyya and Saibal Kar

in International Trade and Economic Development

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Trade related intellectual property right regime (TRIPS) has made it virtually impossible to industrialize and emerge as manufacturing exporter through reverse engineering and imitation that many of today's successful countries had adopted at their initial stages of industrialization and growth. On the other hand, environmental standards and pollution abatement costs have eroded much of the comparative advantages that the developing countries may have in the production of dirtier goods due to abundant and cheap labour. Labour standards and prohibition of the use of even cheaper child labour in production of export goods have the same effect. This chapter discusses different dimensions of these new rules and institutions of the world trade, and how in many instances these rules are actually creating a new divide in the world trading order.