Focuses on the costs of market fragmentation in Europe. It reviews the economic impact of removing barriers to trade as a result of divergent national standards, testing, and certification requirements. Ranked by business as the most important barrier to trade, these domestic regulations can prevent firms from engaging in cross-border competition and hinder market access. Like other forms of trade protection, such non-tariff barriers impact the importing country through higher domestic prices, higher cost margins and productive inefficiencies. This chapter also highlights the impact of trade barriers on firm strategies, and provides some empirical evidence of the benefits expected to accrue from market integration.
argues that the European Court of Justice has actively shaped markets by balancing the goals of market liberalization and market governance, while also fostering legal compliance with stated regulatory objectives. Although markets are absolutely dependent on public authority, the book demonstrates how the EU has innovatively used non-state actors to set standards for market access. By delegating regulatory responsibility to private standards-setting bodies, a hybrid model of regulation has emerged that draws on private sector resources to achieve regulatory goals, primarily by establishing minimum thresholds for regulatory standards and related testing and certification practices. Expected to be more effective than the time-consuming and ultimately limited harmonization of national practices, completion of the single market through principles of ‘mutual recognition’ and standard setting has been difficult to achieve. The effectiveness of this regulatory process in promoting market integration, and its impact on European business, are examined in detail. Throughout the book, comparisons are made with American efforts to remove internal trade barriers to demonstrate the difficulties of constructing a single market, and to highlight that both cases have involved public and private efforts to coordinate standards. Many of the strategies undertaken by the EU echo earlier American market-building efforts.

Harmonization: The Slow Strategy Forward
Michelle P. Egan
in Constructing a European Market: Standards, Regulation, and Governance
Published in print: 2001 Published Online: November 2003
Publisher: Oxford University Press
DOI: 10.1093/0199244057.003.0004
Item type: chapter

Focuses on early efforts in the 1960s and 1970s by the European Community to address trade barriers through the harmonization of national regulatory policies and practices. The push for harmonization of national policies in Europe was driven by the understanding that, without regulatory intervention at the regional level, there would be no single market and that trade conflicts would escalate. This chapter illustrates the tremendous difficulties that this (old approach) policy of harmonization encountered, despite a strong legal basis in the treaty to eliminate disparities in national regulatory systems. Since this policy reflected a regulatory mismatch, as the instruments chosen were ill-suited to dealing with the problem, the chapter concludes by focusing on how political and economic constraints forced the EU to undertake regulatory reform to achieve a better match between its policy objective and outcomes.
The Reluctant Litigant: Japanese Trade Policy
Christina L. Davis

in Why Adjudicate?: Enforcing Trade Rules in the WTO
Published in print: 2012 Published Online: October 2017
Publisher: Princeton University Press
DOI: 10.23943/princeton/9780691152752.003.0005
Item type: chapter

This chapter examines Japanese trade policy to promote market access for exports. It considers how the delegation of authority to the bureaucracy influences the choice of trade strategies by Japan. The Japanese legislature grants considerable autonomy to the bureaucracy for management of foreign trade policy. As a result, there should be lower demand for adjudication and less politicization of case selection. Compared to the United States, the chapter shows that Japan follows a more selective adjudication strategy and initiates only a few cases for large industries with less obvious political influence on selection. Analysis of a number of case studies reveal the absence of political pressure on the country's foreign economic policy. The chapter also looks at a dataset of trade barriers that represent potential trade disputes.

Case Studies in Standards Negotiations 1
Michelle P. Egan

in Constructing a European Market: Standards, Regulation, and Governance
Published in print: 2001 Published Online: November 2003
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DOI: 10.1093/0199244057.003.0008
Item type: chapter

Provides a case-study analysis of the operation of this new regulatory policy, with particular attention paid to the difficulties of reaching collective agreement on common European standards. Case studies of the toy, machinery, construction, and medical device sectors illustrate the tension between collaboration and competition among the firms and other actors involved in standardization. Given the scarcity of information on European standard setting, the case studies provide crucial empirical evidence about the conditions under which standardization is successful by providing comparable analysis of economic production and trends, past legislative history and efforts to address trade barriers, and subsequent standards negotiations across each sector. This provides important insights into the assessment and evaluation of the new regulatory process and its attendant benefits in realizing a single market.
In 2005, the WTO Appellate Body ruled that the United States' total prohibition on cross-border gambling services was unlawful under the General Agreement on Trade in Services (GATS). The questions raised by the case — whether and how a government could block the supply of services on moral or public order grounds — went to the heart of key controversies surrounding international economic law. How can a liberal system of international trade in services be reconciled with national governments' desire to protect social values through service regulation? How much regulatory sovereignty are the WTO Members willing to transfer to the WTO? How much regulatory diversity can the international trading system withstand? This book provides a comprehensive analysis of the regulation of services under the GATS. Through a thorough examination of the GATS negotiating history, substantive provisions, judicial interpretation, and ongoing domestic reforms, the book presents a clear picture of how the multilateral trading system justifies and tolerates regulatory diversity in services. In this respect, the book focuses on the core general principles of necessity and transparency, which would allow the assessment of the consistency with the GATS of domestic regulations in services at a horizontal, cross-sectoral level. In addition, the book reviews with a critical eye the ongoing GATS negotiations on the creation of rules on domestic regulations.

Barriers to Trade in Services 1
Panagiotis Delimatsis

This chapter reviews trade policy in services, which serves to introduce the reader not only to the peculiar role of domestic regulations in services trade, but also to the need to tackle the adverse trade effects of non-discriminatory domestic policy instruments when seeking to establish a framework of rules for the liberalization of services trade. It reviews the intricacy and ubiquity of the remaining barriers to trade
in services, and demonstrates that in services, domestic regulations constitute the most onerous trade barriers in the absence of any trade impediments at the borders. Theoretically, there is a bundle of genuine reasons that may lead governments to regulate services, depending on the services sector involved. While inherent in services trade, regulatory diversity can be trade-distortive if it is not the result of legitimate regulatory intervention, but rather an attempt to protect few domestic interests.

A Political Economy Theory of International Trade Agreements
Edward D. Mansfield and Helen V. Milner

This chapter presents a theory of the domestic political conditions that lead countries to enter into formal trade agreements. More specifically, it attempts to explain the establishment of preferential trading arrangements (PTAs), institutions in which member-states reciprocally lower their trade barriers on each other's products and thereby grant each member preferential market access. The focus is on why and when countries have chosen to enter such agreements, understanding that there is substantial variability in the spread of PTAs over time and the countries that join them. Why have some countries joined many PTAs, while others have joined very few, and what explains the timing of PTA formation? The chapter first presents a rationalist theory of domestic politics to explain the pattern of PTAs. It then develops seven auxiliary hypotheses that follow from the logic of the present model to further explore the model's implications.

Introduction
Christina L. Davis

This book examines why democratic institutions for accountability encourage use of adjudication to resolve trade disputes. It argues that governments file a formal legal complaint for World Trade Organization
(WTO) adjudication as a costly signal to domestic and foreign audiences of the government's support for exporter interests that have been harmed by foreign protectionism. On the defendant side too, allowing oneself to be dragged into court signals support for importer interests that benefit from the trade barrier. The book develops a theory about domestic constraints to explain why democratic states are more likely to file legal complaints against trade barriers and select their cases based on the political influence of the affected industry. It explores the conditions under which states choose legal venues for dispute settlement, and how the legal context changes the outcome. This introductory chapter provides an overview of international trade law enforcement.

Why Do Discriminatory Trading Arrangements Exist?
Richard Pomfret

in The Economics of Regional Trading Arrangements
Published in print: 2001 Published Online: November 2003
Item type: chapter

Addresses the question of why RTAs exist. Section 1 lists four proximate explanations on the basis of the immediate consequences of RTAs. Section 2 draws on the political economy of trade barriers literature to explain RTAs in terms of the impact on various groups with differing degrees of influence over trade policy formation and implementation. Section 3 offers some concluding observations.

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

in The Political Economy of the World Trading System: WTO and Beyond
Published in print: 2001 Published Online: November 2003
Item type: chapter

This chapter starts with brief overviews of global trade flows in services, the barriers that restrict such trade, and the economics of service sector protection and liberalization. This is followed by a summary of the main elements of the GATS (General Agreement on Trade in Services) and a discussion of the experience obtained in the first five years of the operation of the GATS in expanding the coverage of the agreement. The chapter ends with a brief assessment of the usefulness of the GATS
as an instrument for the pursuit of service sector reform. The different sections are as follows: Conceptual and empirical issues; Barriers and potential gains from reform; The Uruguay Round negotiations; The GATS; Sector-specific negotiations and agreements; Electronic commerce; The challenge of expanding the GATS; and Conclusion.

Conflict Management: Evaluating the Effectiveness of Adjudication
Christina L. Davis

in Why Adjudicate?: Enforcing Trade Rules in the WTO

This chapter examines the effectiveness of legal complaints to bring an end to trade disputes. Using quantitative data from the United States, it shows that when comparing similar kinds of disputes and trade partners, states gained better outcomes through the dispute mechanism. Conditioning on the fact that the most politicized cases are selected for World Trade Organization (WTO) adjudication, the legal forum is quite effective for dispute settlement. The chapter applies statistical techniques of matching to the sample of negotiated trade barriers to adjust for their propensity to be raised in adjudication, and then conducts regression analysis of dispute outcomes in terms of policy change. The results show that adjudication increases the probability of progress to resolve the complaint by one-third. Furthermore, a duration model that controls for the variables that influence strategy selection illustrates how adjudication reduces the time to removal of the barrier.

Dying to Dine—The Story of the Great Agricultural Barrier
Srividhya Ragavan

in Patent and Trade Disparities in Developing Countries

This chapter studies the second major issue that affects mankind, namely access to food. It outlines the barriers to trade and the tenets of the trade regime, and identifies subsidies as the worst barrier to international trade in agricultural commodities. It shows that international trade barriers affect the agricultural commodities market,
and introduces the Agreement on Agriculture (AOA), which helped
decrease disputes over agricultural subsidies over a period of nine years.

Traditionalist Views and the Emergence of Revisionism
Robert M. Uriu

in Clinton and Japan: The Impact of Revisionism on US Trade Policy
Published in print: 2009 Published Online: February 2010
DOI: 10.1093/acprof:oso/9780199280568.003.0002
Item type: chapter

In this chapter the author describes the “traditionalist” view that the
Japanese economy was protected but could be opened through trade
talks. More importantly, traditionalists argued that trade frictions should
not be allowed to damage the crucial U.S.-Japan military relationship.
The second half of the chapter traces the early origins of revisionist
thinking against the backdrop of rising trade tensions that reached an
emotional peak in the 1980s. Certain U.S. government officials and
business leaders were crucial early proponents. One trade agreement,
on semiconductors in 1986, was spurred in part by revisionist ideas
about the dangers of allowing Japan to maintain a closed market. But
for the most part the Reagan administration's Japan policy remained
traditionalist in orientation, especially its emphasis on the political and
military value of the alliance.

Sector-Specific Multilateral Trade Agreements
Bernard M. Hoekman and Michel M. Kostecki

in The Political Economy of the World Trading System: WTO and Beyond
Published in print: 2001 Published Online: November 2003
DOI: 10.1093/019829431X.003.0007
Item type: chapter

This chapter looks at the major sector-specific agreements that have
been negotiated under the auspices of GATT (General Agreement
on Tariffs and Trade), and in particular at agriculture, and textiles
and clothing. Both of these are sectors that have a long history of
protectionism in many countries, and much remains to be done to
lower barriers to trade to levels that approach the average prevailing
in other sectors. Over time, both sectors were gradually removed from
the GATT 1947 disciplines, and it was only during the Uruguay Round
that they were re-integrated into the trading system; the Uruguay Round
agreements reached on the sectors are due to be fully implemented in
2005. The chapter also discusses the Information Technology Agreement (ITA), which was negotiated amongst a subset of WTO members during 1996, although it is applied on an MFN (most favoured nation) basis. The sections of the chapter are as follows: Agriculture; Textiles and clothing; The Information Technology Agreement; and Conclusion.

China and India: A Tale of Two Trade Integration Approaches
Przemyslaw Kowalski

in Emerging Giants: China and India in the World Economy
Published in print: 2010 Published Online: September 2010
Publisher: Oxford University Press
DOI: 10.1093/acprof:oso/9780199575077.003.0006
Item type: chapter

Despite the fact that China has gone further than India in terms of economic reform and opening, China's integration process so far remains characterized by a certain duality. On the one hand the opening up of trade and FDI in manufactured goods has spurred the emergence of a largely private sector. On the other hand the high level of public ownership and important regulatory barriers continue to dominate the services sectors. India has gone a long way in reducing its tariffs on nonagricultural products as well as selected non-tariff barriers but moderate protection still persists which likely adds to the hurdles faced by the Indian manufacturing sector. India has revealed a comparative advantage in certain segments of the services sector but its services trade policy is still very restrictive. More generally the extent of liberalization achieved so far in India suggests that the remaining goods and services trade barriers are just one item on the list of reforms that the country needs to tackle in order to promote trade-led expansion of more labor-intensive activities.

Proliferating Preferential Trade Agreements
Jagdish Bhagwati

in Termites in the Trading System: How Preferential Agreements Undermine Free Trade
Published in print: 2008 Published Online: October 2011
Publisher: Oxford University Press
DOI: 10.1093/acprof:oso/9780195331653.003.0001
Item type: chapter

Most preferential trade agreements (PTAs) are in the form of free trade agreements (FTAs), which is a rare few contain an added common external tariff that converts them into customs unions (CUs). John
Maynard Keynes, arguably the twentieth century's most influential economist, was reverting to an antidiscrimination view that had begun to make increasing sense to economists during the 1930s. The General Agreement on Tariffs and Trade (GATT) was designed to make uncoordinated free-for-all actions on raising trade barriers difficult through “rules” and “bindings” that would govern and discourage a lapse into competitive raising of trade barriers. In general, it is stated that the world is marred by discriminatory trade, much as had been experienced in the 1930s, from which all sensible men and women had recoiled.

Safeguards and Exceptions
Bernard M. Hoekman and Michel M. Kostecki

in The Political Economy of the World Trading System: WTO and Beyond
Published in print: 2001 Published Online: November 2003
Publisher: Oxford University Press DOI: 10.1093/019829431X.003.0010
Item type: chapter

The various mechanisms allowing for the re-imposition of trade barriers are discussed in this chapter, which summarizes the rules on--and the economics of--the use of instruments of contingent protection. These have been very important in dealing with domestic political pressures and allowing the pursuit of non-economic objectives. In practice, they have often been abused, to the detriment of both national and global welfare. The chapter focuses mainly on the safeguards and exceptions embodied in GATT (General Agreement on Tariffs and Trade); those of the GATS (General Agreement on Trade in Services) are very similar or still in development. The different sections are as follows: Renegotiation of concessions; Waivers; Emergency protection and VERs (voluntary export restraints); Antidumping actions; Measures to countervail subsidized imports; Trade restrictions for balance of payments purposes; Infant industry protection; General exceptions; and Conclusion.

Domestic Instruments
Petros C. Mavroidis

in Trade in Goods: The GATT and the Other Agreements Regulating Trade in Goods
Published in print: 2008 Published Online: January 2009
Publisher: Oxford University Press DOI: 10.1093/acprof:oso/9780199552139.003.0003
Item type: chapter
This chapter focuses on domestic instruments. Besides national treatment, Agreement On Technical Barriers To Trade (TBT), and Agreement on the Application of Sanitary and Phyto-sanitary Measures (SPS), it reviews the application of non-discrimination to a transaction explicitly mentioned in the GATT: state trading enterprises (marketing boards). The chapter proceeds as follows. Section 1 discusses the rationale for national treatment. Section 2 focuses on its coverage. Section 3 explains why because of national treatment, the GATT should be viewed as a negative integration contract with respect to domestic instruments. Section 4 analyses the legal discipline (national treatment) and discusses the exceptions to national treatment. Section 5 deals with TBT and SPS, whereas section 6 deals with state trading enterprises.

The Single Market and the Environment: From Issue Linkage to Political Choice

Albert Weale, Geoffrey Pridham, Michelle Cini, Dimitrios Konstadakopulos, Martin Porter, and Brendan Flynn

in Environmental Governance in Europe: An Ever Closer Ecological Union?

Many of the arguments about the processes of European integration that were reviewed previously turn on the issue of spillover. In this chapter, the origins of the EU environmental policy in terms of this concept are examined, particularly, the relationship between the single market and environmental policy, on the assumption that the creation of the single market has been the most important device for increasing European integration. In addition, it shows that there is clearly a close relationship between the evolving European single market and the protection of the European environment. It also seeks to address the question of how far this relationship develops from technical spillover to political spillover.