

“X” and its Trade Policy

Democratically elected government for the first time in recent history (30 years). Power previously held by dictator. All industry was state-owned and held (managed by small group of rich citizens closely tied to dictator by politics, marriage). X has never belonged to GATT — interested in WTO.

Trade Minister of X is new. His position used to be held by presidential appointment -- someone who would do things the former President wanted. The Trade Minister of X knows about comparative advantage. He also knows the GATT/WTO history. He has, however, never learned trade theory or policy. The Trade Minister is trying to learn about adjustments that will have to be made to X's trade policy if it joins the WTO and their consequences.

The following facts about X raise issues the Trade Minister knows he will have to resolve if X is going to join the WTO.

- 1. X has only three diplomats trained in international law and they are only now learning about trade law. Is X well positioned to apply for/accept WTO membership? Will it have the ability to participate in decision making and dispute settlement?**
- 2. X knows it would have to describe itself as a developed/developing/least developed country or as an economy in transition when it negotiates to join the WTO. Does it matter what category X chooses?**
- 3. Tariff levels are at 30-60%
Rationale: protect the infant industries of the country (those making industrial goods). Also to protect farming sector.**
- 4. X has in the past reduced tariff rates only to one or two neighbors and X's former colonial power. X offers duty free entry to products of interest to these countries — agricultural commodities produced by X. X would like to retain these preference programs if it joins the WTO.**
- 5. X has used quotas as a primary vehicle for trade policy. They were used whenever there is “too much” import competition and loss of domestic industry market share. There are no unfair trading rules. X would like to know whether it would receive any particular benefits by adopting laws on safeguards, antidumping and countervailing duty (subsidy).**
- 6. Uses state trading companies — largely as quota tools. (See p. 342)**
- 7. Tariff schedule and Quotas list are not widely available. X does not print and distribute or post either on the Internet.**

- 8. X has never had an industrial policy. To the extent that subsidies were made available, they were handed out as political favors. X would like to understand what kind of subsidies it would be allowed to provide its industrial and agricultural sectors.**
- 9. X is widely regarded as a successful center for the production of counterfeit video and audio discs, computer programs. X has also become a producer of pharmaceutical drugs in the hopes of becoming a producer for the generic market. X would like to fully understand the implications for its “growth industries” if it joins the WTO.**
- 10. X still has a weak and incomplete telecommunications system and only three major banks. X does have a string of luxury hotels in the capital and on its coastline. X is a magnet for “nature safaris” due to its large number of rare indigenous plants, birds and animals. What would belonging to the WTO do to assist X in developing its services sector?**