A poor showing

Messrs Subramanian and Wei take a different tack. They argue that poorer countries, even founding members of the GATT such as India, have not been true protagonists in the system. These countries enjoy “special and differential treatment”, which exempts them from any great obligation to liberalise. By the late 1980s, for example, developing countries had agreed to set ceilings on less than a third of their tariffs. And because the few ceilings they had established were typically higher than existing tariffs, they were not meaningful.

Exempted from so much, developing countries have had little to offer fellow members. They have a seat at the negotiations, but nothing much on the table. As a result, many of the sectors in which they enjoy a comparative advantage, such as agriculture, textiles and clothing, were neglected by successive trade rounds.

Messrs Subramanian and Wei hope that this is changing. They show that developing countries, such as China, which joined the WTO more recently have been asked to open up much more as the price of entry. Nonetheless, the WTO and the GATT appear much more successful if developing countries are left out of the picture. Membership boosts the imports of rich countries by 175%, the Fund economists reckon. The WTO and its predecessor have done a “splendid job of promoting trade”.

Some of the other differences between their calculations and Mr Rose’s are more subtle and methodological. They look only at a country’s imports, not its exports. They also quarrel with Mr Rose’s treatment of regional trade agreements, such as the North American Free Trade Agreement. If two countries are members of such a pact, WTO membership adds little, if anything, to their trade with each other. Mr Rose holds this against the WTO. The two Fund economists think it is wrong to expect otherwise.

But in the end, their disagreement is more apparent than real. Though they are fans of the WTO, Messrs Subramanian and Wei concede that it demands too little of its poorer members, is often superseded by regional trade agreements (where they exist), and has historically neglected agriculture, textiles and clothing. Aside from that, the two economists liked the play. Or, as Mr Rose wryly puts it, “if you ignore its many failures, the GATT/WTO has been successful.”

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*“Do We Really Know that the WTO Increases Trade?”, American Economic Review, March 2004

**“Membership has its Privileges”, by Michael Tomz, Judith Goldstein and Douglas Rivers. Working paper, February 2005

***“The WTO Promotes Trade Strongly but Unevenly”, CEPR Discussion Paper 5122. July 2005