



Enforcement, Private Political Pressure, and the General Agreement on Tariffs and Trade/World Trade Organization Escape Clause

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Abstract

We consider the design and implementation of international trade agreements when (a) negotiations occur in the presence of uncertainty about future political pressures, (b) governments possess private information about political pressures at the time that the agreement is actually implemented, and (c) negotiated commitments can be implemented only if they are self-enforcing. We thus consider the design of self-enforcing trade agreements among governments that acquire private information over time. We provide equilibrium interpretations of General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) negotiations regarding upper bounds on applied tariffs and GATT/WTO escape clauses. We also provide a novel interpretation of a feature of the WTO Safeguards Agreement, under which escape clause actions cannot be reimposed in an industry for a period equal to the duration of the most recent escape clause action. We find that a dynamic-use constraint of this kind can raise the expected welfare of negotiating governments.



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