

Module 5.

Trade in Services: Liberalisation under the WTO's Multilateral Trading System and Integration under the Single Market

ECN330

Analyzing Economic Integration and
Multilateral Trade Liberalization

2023

Glossary of abbreviations

- ✦ **BOP** – balance of payments
- ✦ **CU** – customs union
- ✦ **CVM** – countervailing measures
- ✦ **DCs** – developed countries
- ✦ **DS** – domestic support
- ✦ **DSM** – dispute settlement mechanism
- ✦ **EC** – European Commission
- ✦ **ECJ** – European Court of Justice
- ✦ **ESM** – emergency safeguard mechanism
- ✦ **EU** – European Union
- ✦ **FDI** – Foreign direct investment
- ✦ **GATS** – general agreement on trade in services
- ✦ **GATT** – general agreement on trade and tariffs
- ✦ **GDP** – gross domestic product
- ✦ **IP** – intellectual property
- ✦ **LDCs** – less developed countries
- ✦ **MA** – market access
- ✦ **MFN** – most favoured nation
- ✦ **SPS** – Sanitary and phytosanitary measures
- ✦ **TBT** – Technical barriers to trade
- ✦ **TRIMs** – trade-related investment measures
- ✦ **TRIPs** – trade-related intellectual properties
- ✦ **UR** – Uruguay Round

1. The International Services Economy

1.1 Contrasting trade in services and goods

✦ Exchange more complex

✦ Characteristics

- ◆ Intangibility
- ◆ Non-storability
- ◆ Heterogeneity
- ◆ Non-separability
- ◆ Non-tradable/non-commercial

International Services Economy, continued . . .

1.2 Services in a gen'al eqlbm context

✦ Macroeconomy – dominant activity

- ◆ LOOP and comparative advantage
- ◆ Mkt structure, efficiency and competition

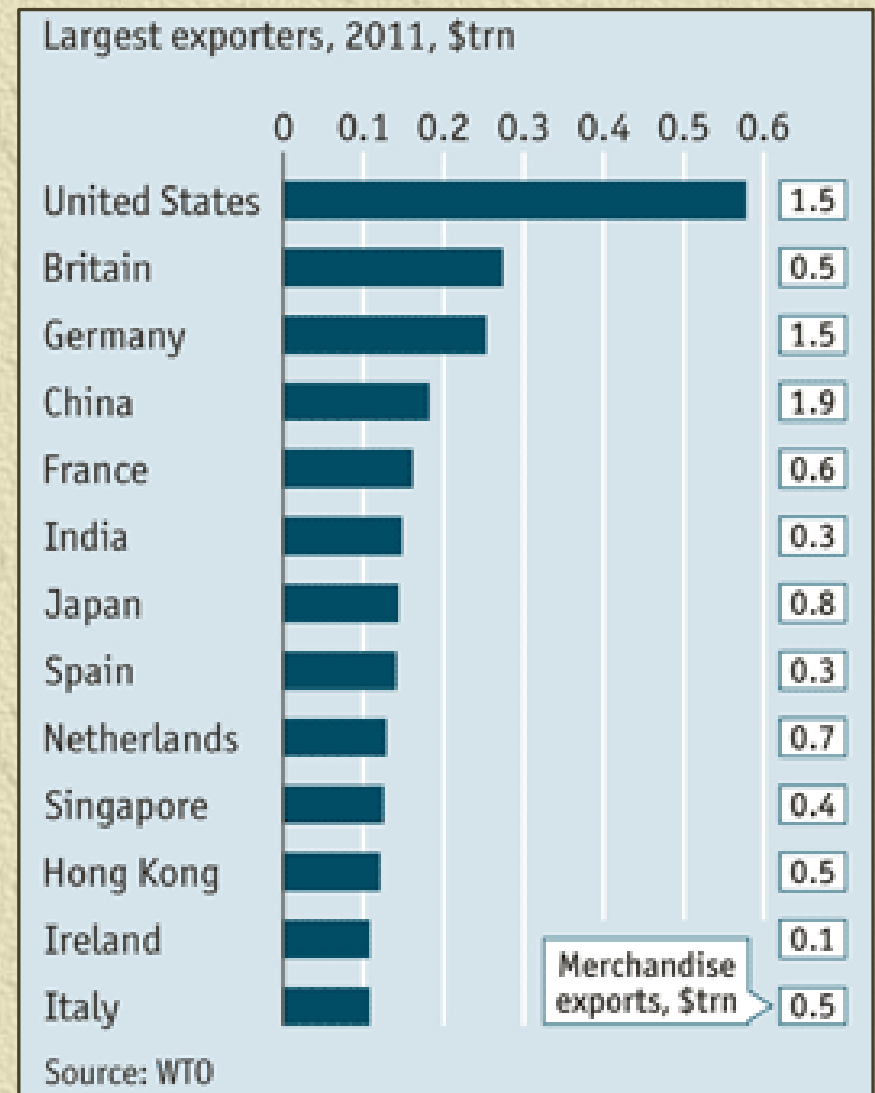
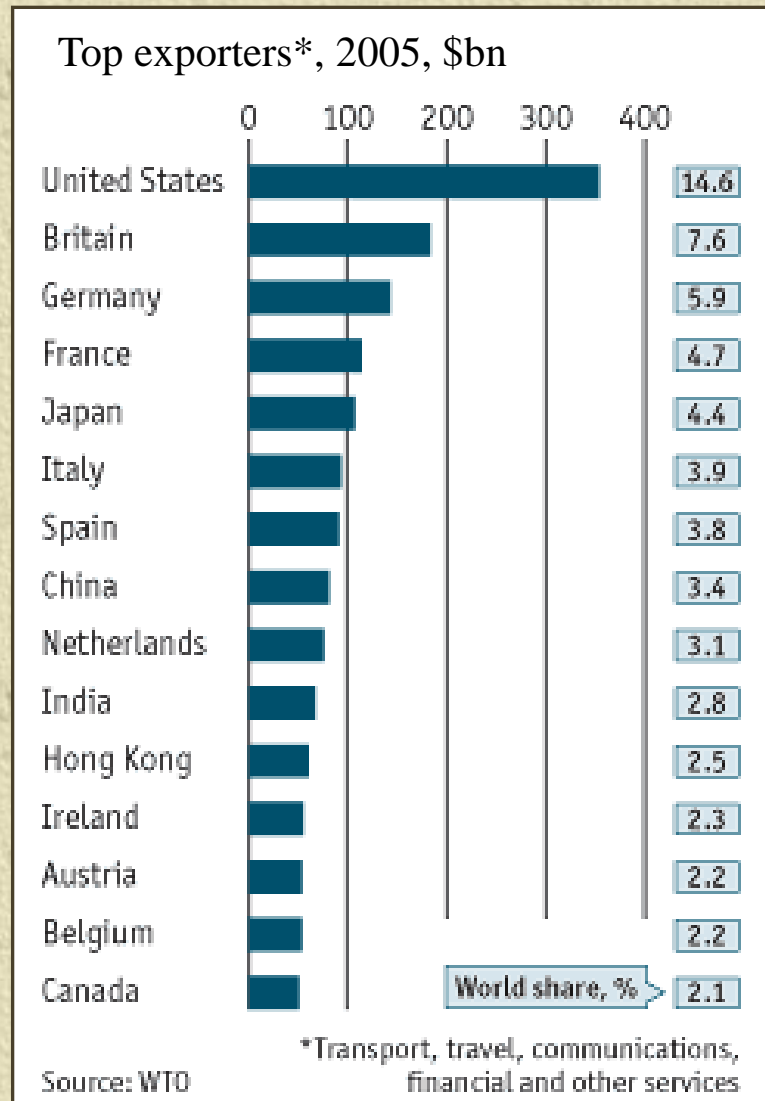
✦ Services markets

- ◆ Supply-side factors
 - L-intensity; K-L relationships and prodvty
 - Key drivers
- ◆ Demand-side factors

✦ Trends

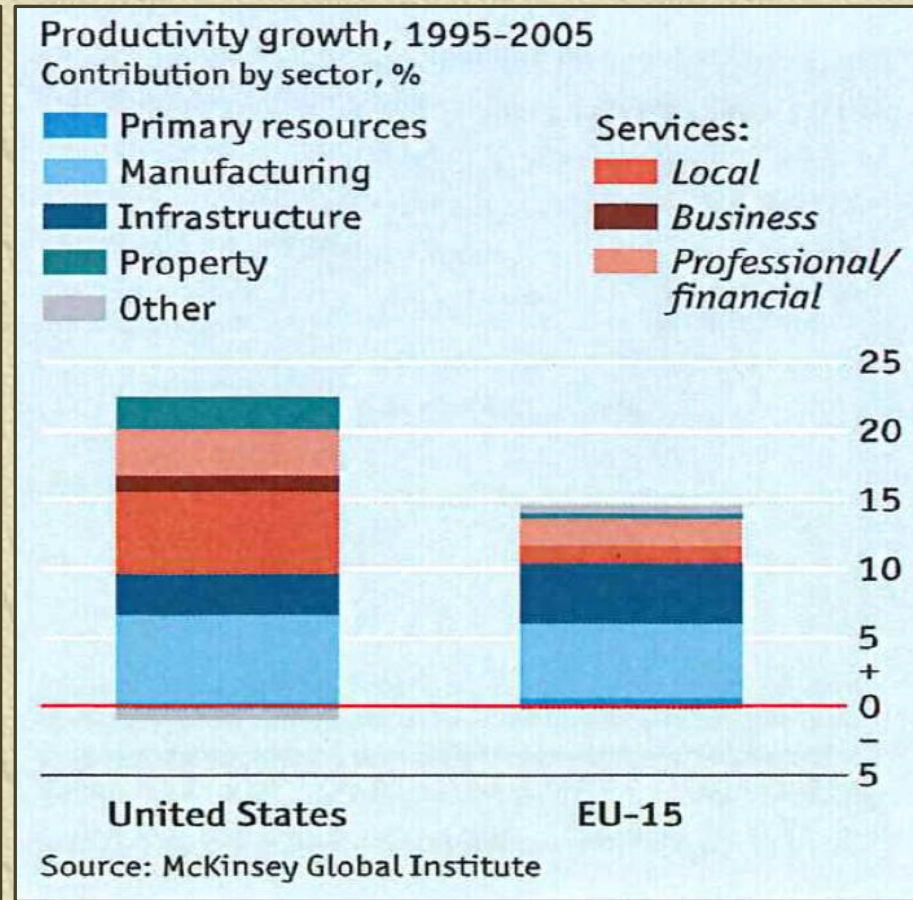
International Services Economy, continued . . .

◆ Principle exporters of services



International Services Economy, continued . . .

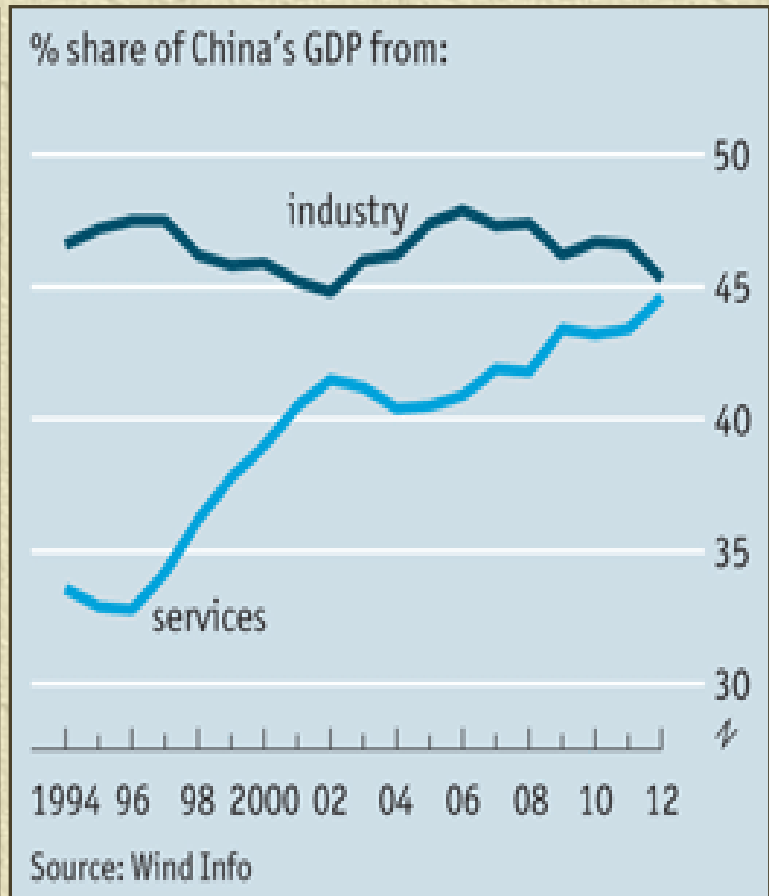
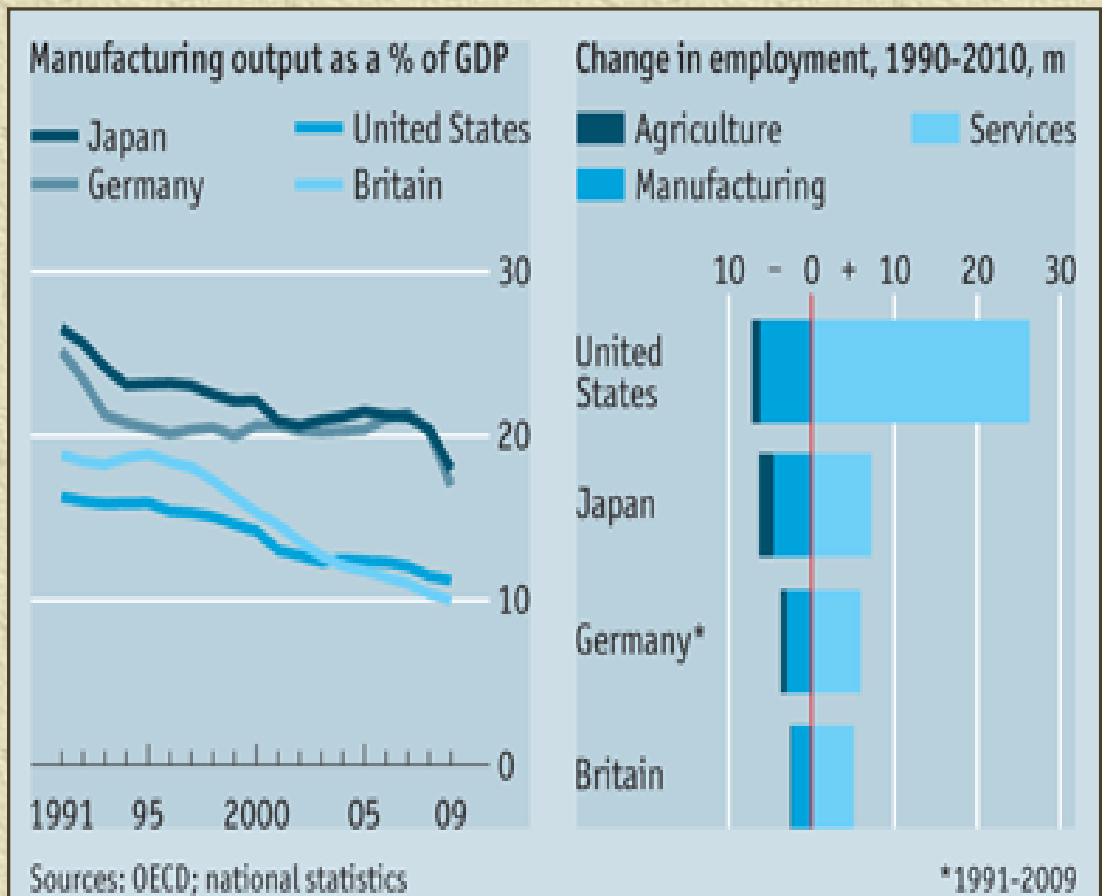
◆ Relative prodvty in services/manufacturing



Economist, "German Services: Protected and Inefficient", 18 Feb 2012, p. 24; and "Smart work", special report on the World Economy, 9 Oct 2010, p. 13-16.

International Services Economy, continued . . .

- ◆ Manufacturing output and employment
- ◆ China: rise of the service sector



Economist, "Economics focus, Cash machines", 2 Apr 2011, p. 69; and "China's Economy: Served", 23 Feb 2013, p. 62.

2. Economics of Services Trade

Motivate:

2.1 Internalities – asymmetric info-related problems

✦ Nature of services affects

- ◆ Quality assessment
- ◆ Market participation/participant

✦ Market failure – asymmetric info by buyer/seller

- ◆ Moral hazard
- ◆ Adverse selection

Economics of Services Trade, continued . . .

2.2 Imperfect competition

✦ Source of imperfect competition

- ◆ Economies of scale
- ◆ Economies of scope

✦ Factors to consider on contestability

- ◆ Barriers to entry/exit
- ◆ Product differentiation, consumer loyalty
- ◆ Tech Δ and regs or enforcement of competition rules
- ◆ Other strategic factors

Economics of Services Trade, continued . . .

2.3 Externalities

- ✦ Positive spillovers and network effects

- ✦ Natural monopoly
 - ◆ Cost-related argument
 - ◆ Access to services argument

3. Multilateral Trade in Services

3.1 Trade in services under the WTO

✦ GATS

- ✦ Basic principles
- ✦ Sectoral coverage
- ✦ Obligations or commitments

	Rules/disciplines on services	
Basic principles	GATS	
Additional details	Agreements and Annexes	
Specific sectors or issues	Agreement on Telecom; Finance; Transport; tourism, etc.	
Market access commitments	Schedule of Commitments	
Country-specific requirements	Limits on MA and national treatment in schedules: Horizontal commitments Sector-specific commitments	

- How regs affect mkt access and national treatment
- Ensure regs are not more restrictive over time

Multilateral Trade in Services, continued . . .

✦ Comparison with EU Treaty, Article 50:

"Services ... within the meaning of this Treaty are [activities] *provided for remuneration*, [and where it is] not governed by the provisions relating to freedom of movement for goods, capital and persons."

◆ 'Services' shall in particular include:

- (a) activities of an industrial character;
- (b) activities of a commercial character;
- (c) activities of craftsmen;
- (d) activities of professionals.

◆ "Without prejudice to the provisions of the chapter relating to the right of establishment, the person providing a service may, in order to do so, temporarily pursue his activity in the State where the service is provided, under the same conditions as are imposed by that State on its own nationals."

EC case involving Latvia and Sweden

Multilateral Trade in Services, continued . . .

3.2 WTO definition of a tradable service

- ✦ Mode 1. Cross border trade

- ✦ Mode 2. Consumption abroad

- ✦ Mode 3. Commercial presence

- ✦ Mode 4. Presence of natural persons

Multilateral Trade in Services, continued . . .

3.3 Scheduling MA and national treatment

✦ Horizontal commitments

✦ Sector-specific commitments

Commitments across service sectors and specified by mode of supply			
Sector or sub-sector	MA limitations	Limitations on national treatment	Additional commitments
I. Horizontal commitments			
Regulations or legislation that affecting all/many service sectors	(1) None/unbound (2) None/unbound (3) None/unbound (4) None/unbound	(1) None/unbound (2) None/unbound (3) None/unbound (4) None/unbound	Pending regulation or forthcoming changes in regulations
II. Sector-specific commitments			
1. Business A. Professional a. Legal services	(1) – (4)	(1) – (4)	

Note: Schedules of services are in WTO documents beginning with symbols GATS/SC/

Multilateral Trade in Services, continued . . .

✦ MA restrictions: even if nat'al treatment is violated

MA limitation	Example of a limitation
Number of service suppliers	Quota on number of firms, fixed number of licenses; exclusive service suppliers
Value of transactions or assets	Value quota; specifies that a foreign firm (or subsidiary) maintains some % or share of the total assets of value of the domestic market
Quantity of service output	Quota on number of operations or service output expressed in units
Number of natural persons employed	Quota on number of foreign workers who are able to supply service; specify that foreign labour cannot exceed a certain % of work force or % of total wage bill
Conditions on the legal entity	Limits form/degree in which foreign capital can participate in services provision, e.g., joint venture
Conditions on participation of foreign capital	Value quota in terms of a maximum % of a foreigner's shareholding; volume quota on the total amount of an investment

Multilateral Trade in Services, continued . . .

✦ Limitations on national treatment

- ◆ Nationality or residency requirement for executives and board members
- ◆ Measures requiring an investment in a certain amount of assets in local currency
- ◆ Restrictions on purchase of land by foreign service suppliers
- ◆ Subsidies or tax exemptions granted only to local suppliers
- ◆ Different capital requirements
- ◆ Operational limits that apply only to foreign suppliers

Multilateral Trade in Services, continued . . .

3.4 Sample of service schedule commitments

✦ Horizontal commitments

Norway – Schedule of Commitments			
Sector or sub-sector	MA limitations	Limitations on national treatment	Add'l commit
I. Horizontal commitments			
	<p>(4) <i>Unbound, except for the temporary presence of natural persons providing services without being employed by a juridical person</i> who has commercial presence in Norway. Access is subject to the following conditions: A work permit must be obtained.</p> <p>A work <i>permit must be issued to a natural person who is considered to be a higher-level skilled worker or to have special qualifications.</i> The <i>competence</i> of the natural person <i>must be deemed absolutely necessary</i> for the recipient of the services.</p>	Unbound except for measures concerning the categories of natural persons referred to in the MA Column	

Note: Schedules of services are in WTO documents beginning with symbols GATS/SC/

Multilateral Trade in Services, continued . . .

✦ Horizontal commitments, continued

Albania – Schedule of commitments			
Sector or sub-sector	Limitations on MA	Limitations on national treatment	Add'l commits
Real estate		3) <i>Foreigners are not permitted to own agricultural land.</i> Non-Albanians are allowed <i>only to lease ag land</i> up to 99 years.	
Privatization	3) The <i>privatization</i> process in several sectors <i>may restrict the total numbers of operators (foreign and local)</i> and <i>may limit the shares owned by foreigners</i> in the enterprise to be privatized.	3) The <i>privatization of large-scale SOEs may exclude foreign participation</i> in some sectors.	

Multilateral Trade in Services, continued . . .

✦ Sector-specific commitments

Norway – Schedule of commitments			
Sector or sub-sector	Limitations on MA	Limitations on national treatment	Add'l commits
Banking and other financial services (excl. insurance)	<p>1) Active <i>supply of services related to banking</i>, financing, securities brokers and collective investment funds <i>requires a commercial presence in Norway</i>.</p> <p>2) <i>Registration of securities</i>, as stated in the Act relating to the Registry of Securities regulating the book-entry registration system <i>for paperless securities is subject to a monopoly</i>.</p> <p>3) <i>Commercial banks, securities firms and management companies for collective investment funds must be organized as joint-stock companies</i>. The same restrictions applies to trading in products derivative to securities, etc.</p>	<p>1) None</p> <p>2) None</p> <p>3) <i>In domestically-owned banks</i>, ie, banks where Norwegian investors own 2/3 or more, <i>the board of directors and committees must be Norwegian citizens residing in Norway</i>.</p>	

Multilateral Trade in Services, continued . . .

✦ Sector-specific commitments

Norway – Schedule of commitments			
Sector or sub-sector	Limitations on MA	Limitations on national treatment	Add'l commit
9. Tourism and travel-related services			
A. Hotels and restaurants	1) None 2) None 3) None 4) Unbound, except as indicated in the horizontal section	1) None 2) None 3) None 4) Unbound, except as indicated in horizontal section	

Multilateral Trade in Services, continued . . .

3.5 Sectoral coverage of specific commitments

✦ Commitments by degree of liberalization

Sectors under which most commitments are taken	Reasons for scheduling	Sectors under which least commitments are taken	Reasons for not scheduling
Tourism services: most commitments most liberal	Not strategic and prudential nature of activity is low	Health and education sectors	Activities usually under the public sector domain
Business services: 2 nd in commitments not necessarily liberal	Covers a broad range of services + degree of sensitivity varies		
Financial services and telecomm services: Broad-based commitments	Multilateral sub-sectoral agreement was concluded after 1995		

Multilateral Trade in Services, continued . . .

✦ Commitments by mode

Mode 1.	Mode 2.	Mode 3.	Mode 4.
Share of total value of TIS			
30%	20%	50%	0%
Regulatory precaution is greatest.	Most liberal, 50% of entries are "none"	Most commitments because it involves FDI but not nec liberal.	Most restrictive mode; stems from horizontal commitments, i.e., immigration law; visa requirements and work permits
Mode under which gov't has little direct control over such activities	Mode under which gov't has the least direct control over private activity or behavior.	Strong control thru ownership + limits on number of participants. Limits thru licensing or on qualifications can → ↓ competition (mobility)	
Gov'ts hesitate to allow MA over activities they cannot control.		FDI (<i>is good</i>) hypothesis must be qualified as many sectors remain highly restrictive, e.g., telecomm, banking and insurance	

Multilateral Trade in Services, continued . . .

3.6 GATS: trade policy/remedies and misconceptions

✦ Trade remedies and policy responses

- ◆ Regs are not trade policy
- ◆ Subsidy, CVMs, SGs have no meaning

✦ Misconceptions

- ◆ Members required to open all sectors to competition
- ◆ Members required to reduce public funding
- ◆ Members required to privatize sub-sectors in public domain
- ◆ Public services subject to competition

Multilateral Trade in Services, continued . . .

3.7 Doha Development Agenda - services negotiations

✦ DDA

- ✦ No *a priori* exclusion of any sector or mode of supply
- ✦ Proceed on a bilateral basis: request-offer
- ✦ Negotiations also pursued on a plurilateral basis
- ✦ Collective requests by co-sponsors on trade by sector or modes to facilitate negotiations
 - Air transport, architectural, engineering, audiovisual, etc.
 - Modes 1-4
 - MFN exemptions
- ✦ Special and differential treatment for LDCs

Multilateral Trade in Services, continued . . .

✦ Hong Kong Ministerial Declaration, 18 Dec 2005

◆ *Para 25 – 27 “Services negotiation”:*

The negotiations on trade in services shall proceed to their conclusion with a *view to promoting the economic growth of all trading partners and the development of developing and least-developed countries*, and with *due respect for the right of Members to regulate* Negotiations shall have regard to the size of economies of individual Members, both overall and in individual sectors.

◆ *Para 58. Recently-Acceded Members:*

We *recognize* the special situation of recently-acceded Members who have undertaken *extensive market access commitments* at the time of accession. This situation will be taken into account in the negotiations.

4. WTO Trade-Related Intellectual Properties (TRIPS)

4.1 IP protection under the WTO framework

✦ TRIPs

- ✦ WIPO creates rules on IP
- ✦ IP offices are national not universal
- ✦ TRIPs is min harmonization
- ✦ Basic principles

	Rules protecting intellectual property
Basic principles	TRIPS
Sector-specific issues	None
Commitments	None

Trade-related IP protection, continued . . .

4.2. Types of intellectual properties and instruments		Subject matter	Areas of application
Industrial property	Patents	New, non-obvious industrial applicable inventions	All industries
	Utility models	Functional designs	Manufacturing
	Industrial design	Ornamental designs	Clothing, cars, etc
	Trademarks	Sign or symbol to distinguish product of a firm from others	All industries
	Geographical indications	Identify place of origin to indicate (1) quality; (2) characteristics	Agricultural products, food/beverage industry (e.g., wine and spirits)
Literacy / artistic property	Copyrights	Original works of authorship, performers, producers of sound recording/broadcast	Printing, entertainment (audio, video, motion pictures), software
Sui generis protection	Breeders' rights	New, stable, homogeneous, distinctive variety	Agriculture; food and beverage industry; livestock; crops/plants
	Integrated circuits	Original layout designs	Micro-electronics
Trade secrets		Secret business information	All industries

Trade-related IP protection, continued . . .

4.3 Economic, political, and legal issues with protection

✦ Economics

- ◆ Protection or absence of protection: mkt failure problems
- ◆ Support industry, investment, new tech
- ◆ Perverse Y-redistribution effects
- ◆ Is mkt really improved with long-term protection?
- ◆ IP-intensity a source of comparative advantage?

Trade-related IP protection, continued . . .

✦ Political considerations

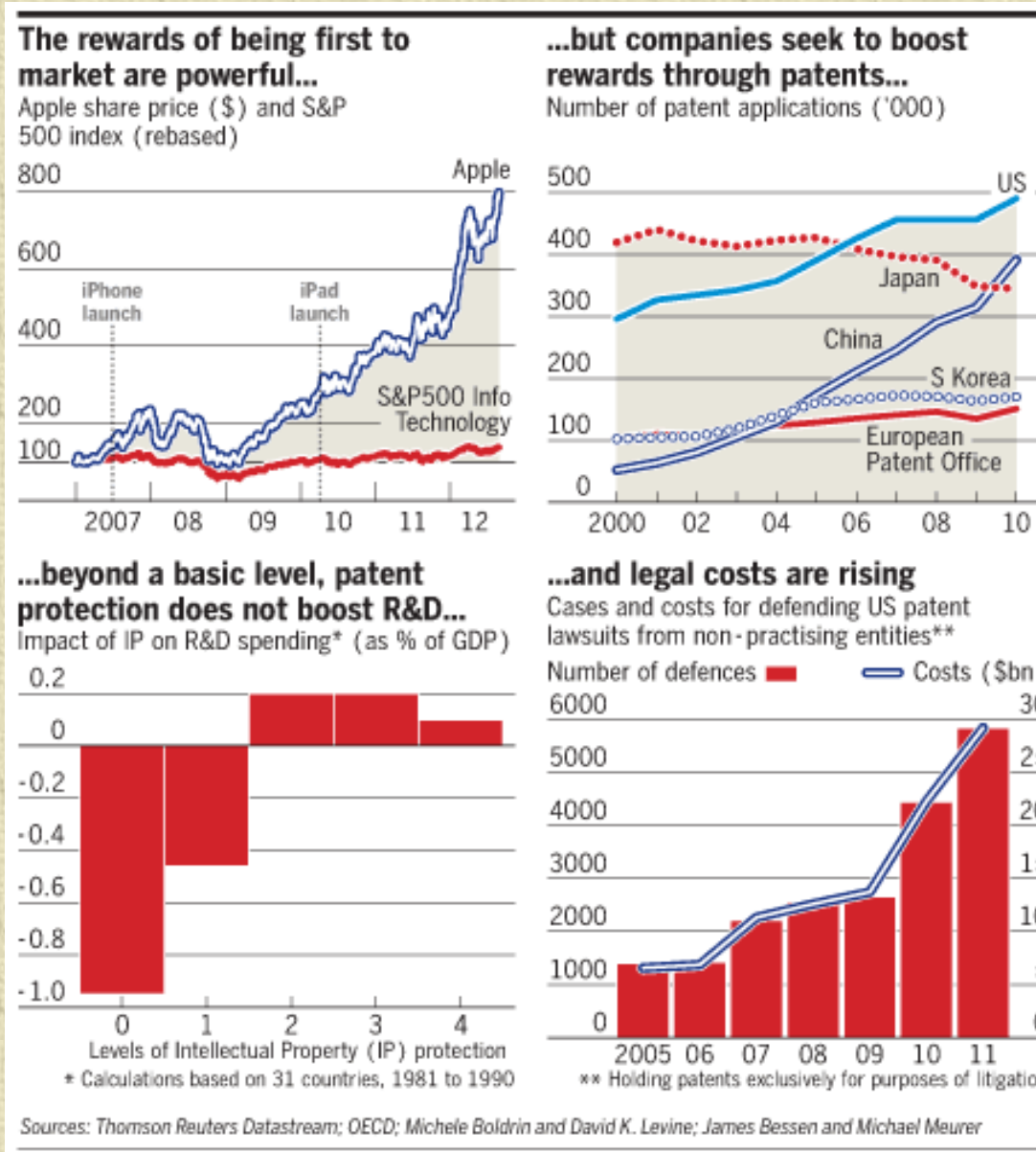
- ◆ Freeware, share economy
- ◆ Diversion of R+D
- ◆ Traditional farming (seeds)
- ◆ Traditional knowledge

✦ Legal issues

- ◆ Patenting genetic material
- ◆ IP systems under challenge
 - Number and quality of patents
 - Tech Δ : scope of protection; sectoral disruptions
 - Knowledge-intensive economy – competition

Trade-related IP protection, continued . . .

Rewards from IP protection



No. of patent applications, (1000)

IP protection and R+D spending as % of GDP

No. of cases and legal costs (\$bn)

Trade-related IP protection, continued . . .

4.4 Multilateral issues on basic ground rules

✦ Issue 1. Logic of IP protection

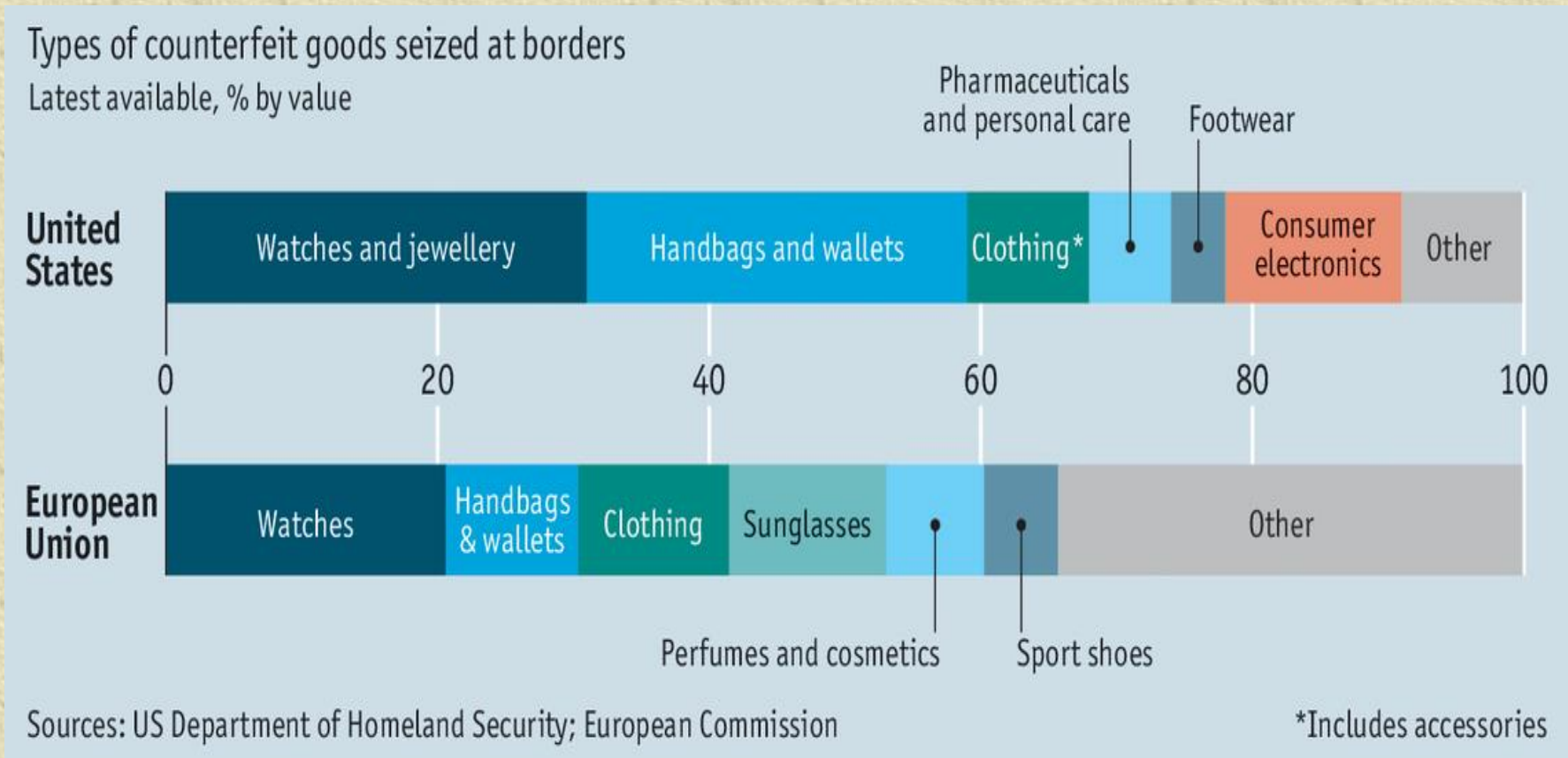
- ◆ Depends on sector-specific characteristics

Type of good	R+D intensity	Cost of reg approval	Rival good	Duration of protection
Pharma				
Software/tech				
Luxury good Watch Handbag				
GI goods				

Trade-related IP protection, continued . . .

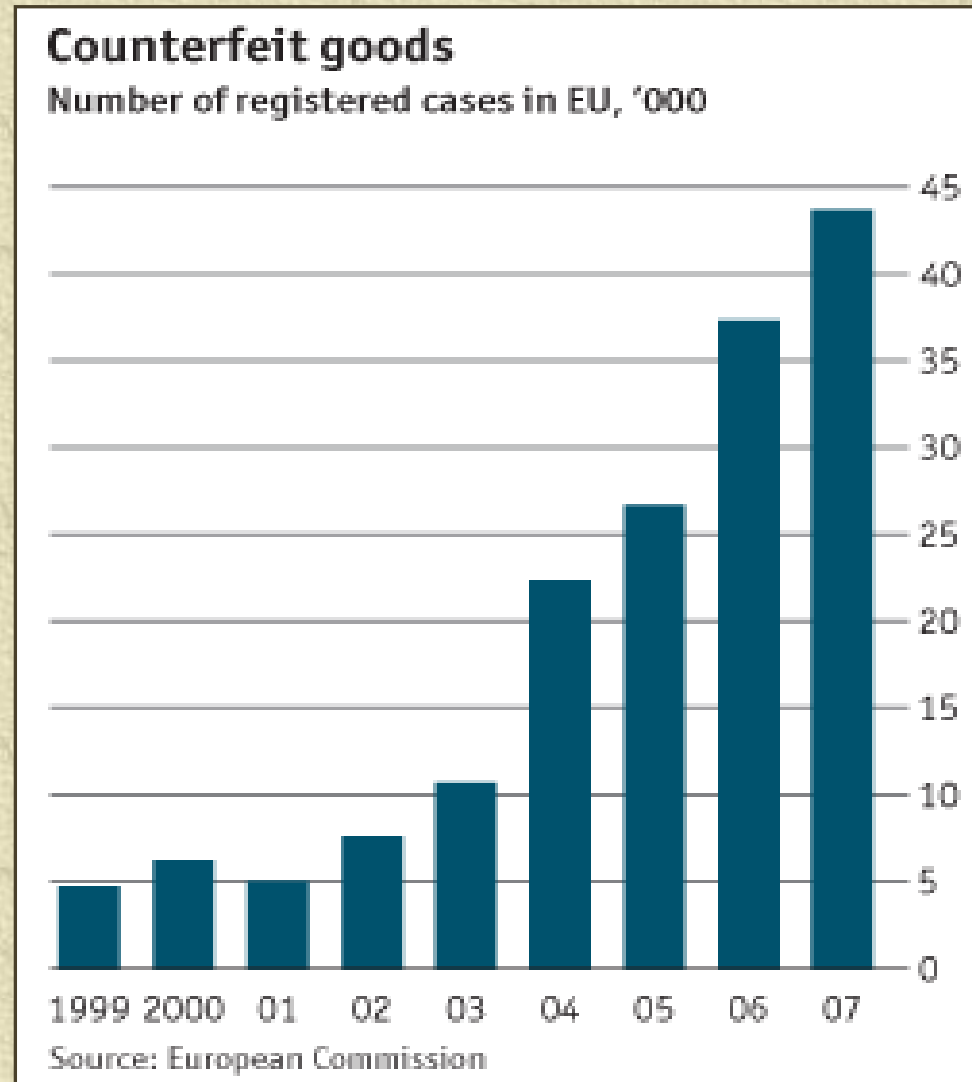
- ◆ Problem with counterfeiting

- Types of counterfeit goods, by type and value



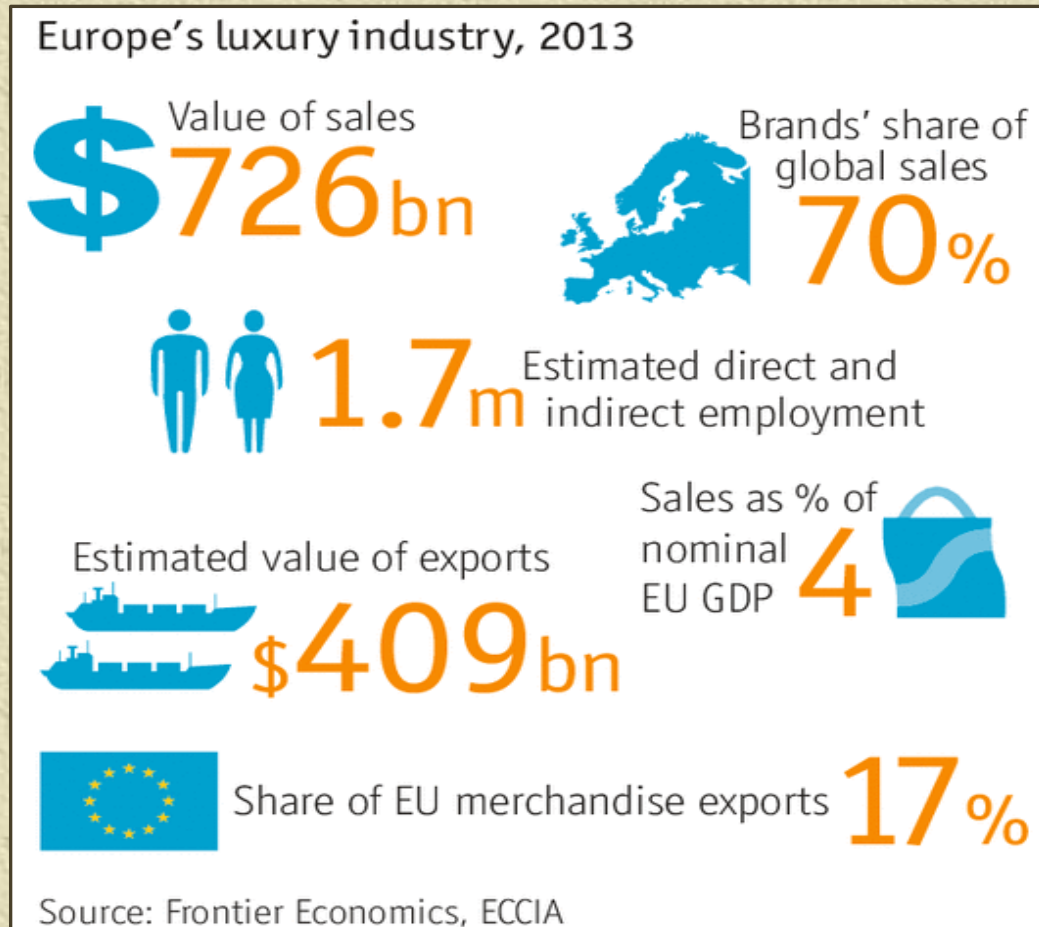
Trade-related IP protection, continued . . .

- Cases of piracy, 2000s
 - ♦ 70% of cases involved air-express courier
 - ♦ Cigarettes and clothing accounted for 50% of total
 - ♦ China was the source of about 60% of fake goods
 - ♦ Switzerland and India made up about $\frac{3}{4}$ of pirated drugs trade cases



Trade-related IP protection, continued . . .

- Cost of counterfeiting to EU



Europe is the pre-eminent maker of luxury goods; its brands account for 70% of the world's luxury consumption. Germany matters in cars and yachts, but the real powerhouse is Italy, which serves as the workshop for French fashion and leather goods as well as its own. **Luxury is “one of the few industries where Europe has a sustainable competitive advantage”.**

Economist, Special report on luxury, “Exclusively for everybody”, 13 Dec 2014, p. 3-5

Economist, Special report on luxury, “The business case: Beauty and the beasts”, 13 Dec 2014, p. 6-8

Trade-related IP protection, continued . . .

- ◆ Protection of luxury goods: "Fact and Fiction about the Trade in Fakes", *Fin Times*, 24 Jan 06, p. 11
 - " . . . *Complaints by French-based association of luxury goods makers* that *fake products* were *costing its members \$4.3 bn (€3.5bn) a year* in lost sales in Japan. "
 - "The figure turns out to be, if not fake, somewhat contrived. It was arrived at by multiplying the estimated unit sales of counterfeit products by the price of genuine ones, [. . .which] *assumes that if . . . consumers could not buy pirated copies, they would all buy the real thing.*"
 - "Does anyone really believe that? . . . International studies [find] that *the overwhelming majority of sales of counterfeit products are to people who would never have bought genuine ones*, because they could not afford them."

Trade-related IP protection, continued . . .

- "[It could be argued that. . .] *some of the retail business that brand owners forfeit to fakes could be considered a long-term marketing investment*. . . Owning a Picasso reproduction does not reduce the desire to possess an original; *today's buyer of fakes are often tomorrow's eager customers*."
- "In east Asia, the . . . *newly rich flaunt the symbols of success* more ostentatiously than anywhere else. Those who have made it . . . would never dream of wearing [fakes]. . . *Chinese shoppers* pour into Hong Kong to *buy western luxury goods, when they could buy near-indistinguishable knock-offs* for a fraction of the price on the other side of the border."

Trade-related IP protection, continued . . .

- "It is true that *fake product sales* often *escape tax and* help *fund organised crime*. But *when producers* also *insist that their self-interest is identical to that of the consumer, scepticism is in order*."
- There is a *clear social gain from banning counterfeits that pose health and safety risks*, but which consumers cannot easily identify as such, [e.g., pharmaceuticals] . . . Cigarette companies shelter behind the same argument. . .
- "*[Luxury goods cannot use this argument.]* If a product bearing a familiar brand name is unusually cheap, it is unlikely to be authentic. And *if a fake is indistinguishable in quality and appearance from the real thing, where is the consumer harm?*"

Trade-related IP protection, continued . . .

- "*Claims that piracy deters innovation by reducing the incentive to invent are also sometimes overstated [, e.g. for 2 reasons]. . . products such as computers and software. Although, even there, [1] Linux and the growth of 'freeware' tell a different story.*"
- "However, relatively *[2] few luxury goods take much research or capital to develop and produce*. Those that sell on 'heritage' [e.g., GIs] almost none. *Most of the investment is in advertising and marketing.*"
- "Of course *producers are upset when pirates cash in*. But *whether society at large loses is far less clear*. . . [The idea is] not condoning IP violations: *free and prosperous economies require private property rights* that are clear-cut and effectively enforced – however, *if [producers] want to rally society to the defence of their interests*, they should *do so with arguments that are genuine and reputable* as their products."

Trade-related IP protection, continued . . .

✦ Issue 2. Monopoly rights vs national emergency: Case of compulsory licensing of drugs

- ✦ Case 1. US anthrax scare (bacteria)
- ✦ Case 2. HIV-Aids drugs in Brazil and South Africa

What is the difference in the two cases?

- ✦ Covid vaccine and issues of access
 - Distribution (through exports)
 - Licensing and production

Trade-related IP protection, continued . . .

- ◆ How should access issues be resolved? Courts?

Want a patent? Be patient

Western drug firms and their legal problems in India, recent cases

Company	Drug	Issue	Now
Bayer	Nexavar (kidney cancer)	Patent office ordered Bayer to license its drug to an Indian firm for a song	Bayer's challenge began on Sep 3rd before IPAB*
Bayer	Nexavar (kidney cancer)	Sued Cipla, an Indian firm, for patent infringement	Hearing in Dec 2012
Novartis	Glivec (leukaemia)	India refused to grant Swiss firm a patent in 2006	Decision challenged. Hearing on Sep 11th 2012
Roche	Tarceva (cancer)	Sued Indian companies for infringing its patent	Awaiting decision
Roche	Valcyte (AIDS)	Patent office revoked Roche's patent	Appeal pending to IPAB*
Gilead	Viread (HIV)	Patent office rejected two patents	Appealed; the case is still pending

Source: *The Economist*

*Intellectual Property Appellate Board

Economist, "Indian Drug Patents: Taking Pains", 8 Sep 2012, p. 54

Trade-related IP protection, continued . . .

◆ Illustration of a creative solution

"Plan for Cheap Vaccine to Fight TB Worldwide", *FT*, 23 Mar 2006, p 3

- "A *US-based charity* . . . begins work on *becoming a manufacturer of a tuberculosis vaccine*, in a pioneering effort *to give affordable and accessible protection* . . ."
- ". . .the *first time that a charity has taken direct responsibility for production of a vaccine* with full control of a process that is currently scattered across a range of privately held factories around the world."
- "Recent *public-private partnerships* between companies, donors and charities *have taken the lead in intensifying research + distribution of vaccines/medicines* for . . . LDCs."
- ". . . The plant *supplies vaccine using a 'Robin Hood model'*, charge *higher prices in richer countries to subsidise the poor*."

Trade-related IP protection, continued . . .

◆ *Economist*, “Pharmaceuticals”, 16 Nov 2013, p. 60

- The **US and UK pharma firms** are leaders in producing new medicines; their **record on healing the diseases of the poor is not so good.**
- Criticism of pharma firms for restricting low-income countries’ access to drugs reached a head around 2000, when makers of life-saving HIV treatments refused to provide them at affordable prices to patients in Africa.
- Global Health Innovative Technology (GHIT) fund announced **grants to advance treatments for malaria, tuberculosis and Chagas disease.** The fund is a public-private partnership that includes 5 Japanese drug makers.
- This **means donating medicines, licensing tech to makers of generic drugs, or collaborating to develop a new vaccine** or treatment.

Trade-related IP protection, continued . . .

✦ Issue 3. How should the least developed be treated?

◆ Differential treatment

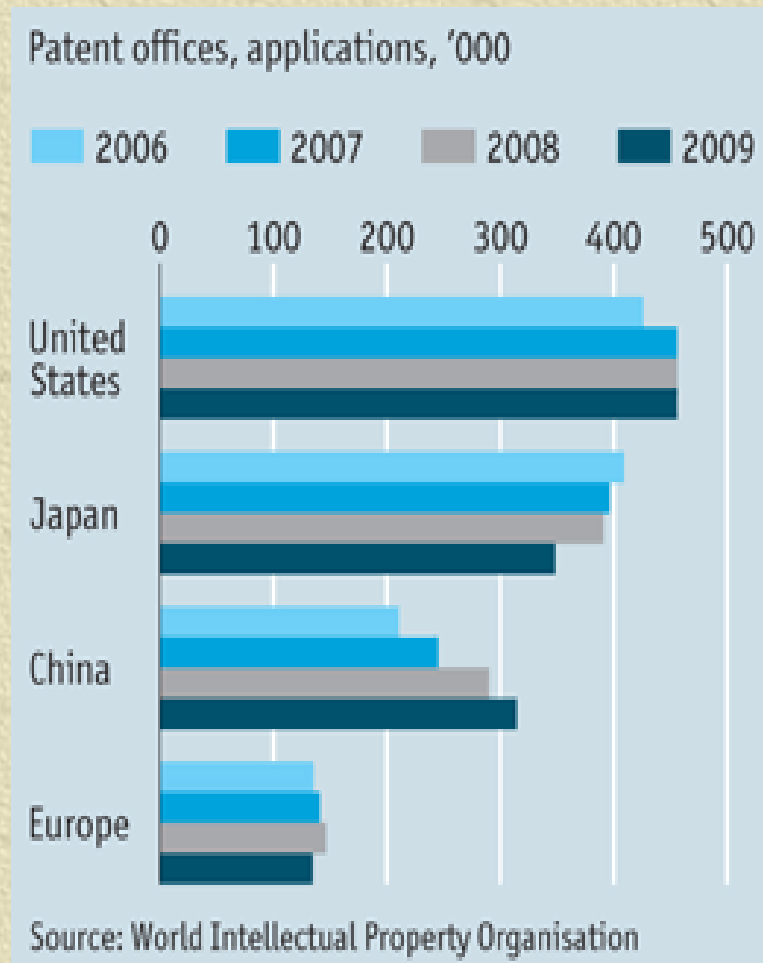
- Longer phase-in periods
- Temporary exemptions

◆ Lack of enforcement delays economic development

- Corruption, tax avoidance, underground economy, smuggling
- Health and safety risks, regulatory failure (food safety)

Trade-related IP protection, continued . . .

- ◆ Evidence of graduation: growth in patents in China

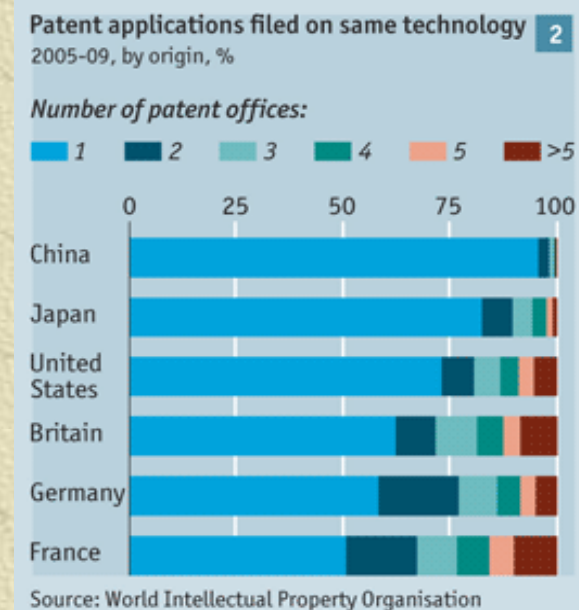
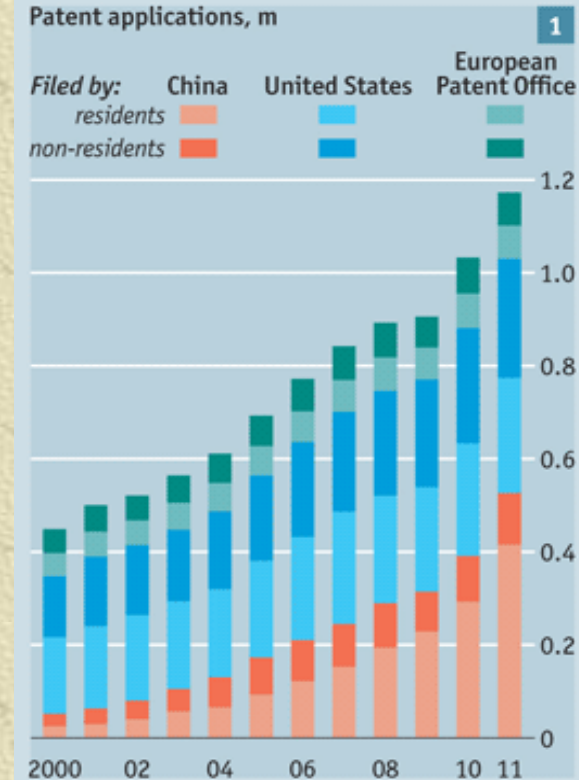


Economist, “Innovation in Asia: Trading Places”, 2 Oct 2010, p. 62-3

Economist, Economic and financial indicators, “Patent applications”, 15 Dec 2012, p. 81

Trade-related IP protection,

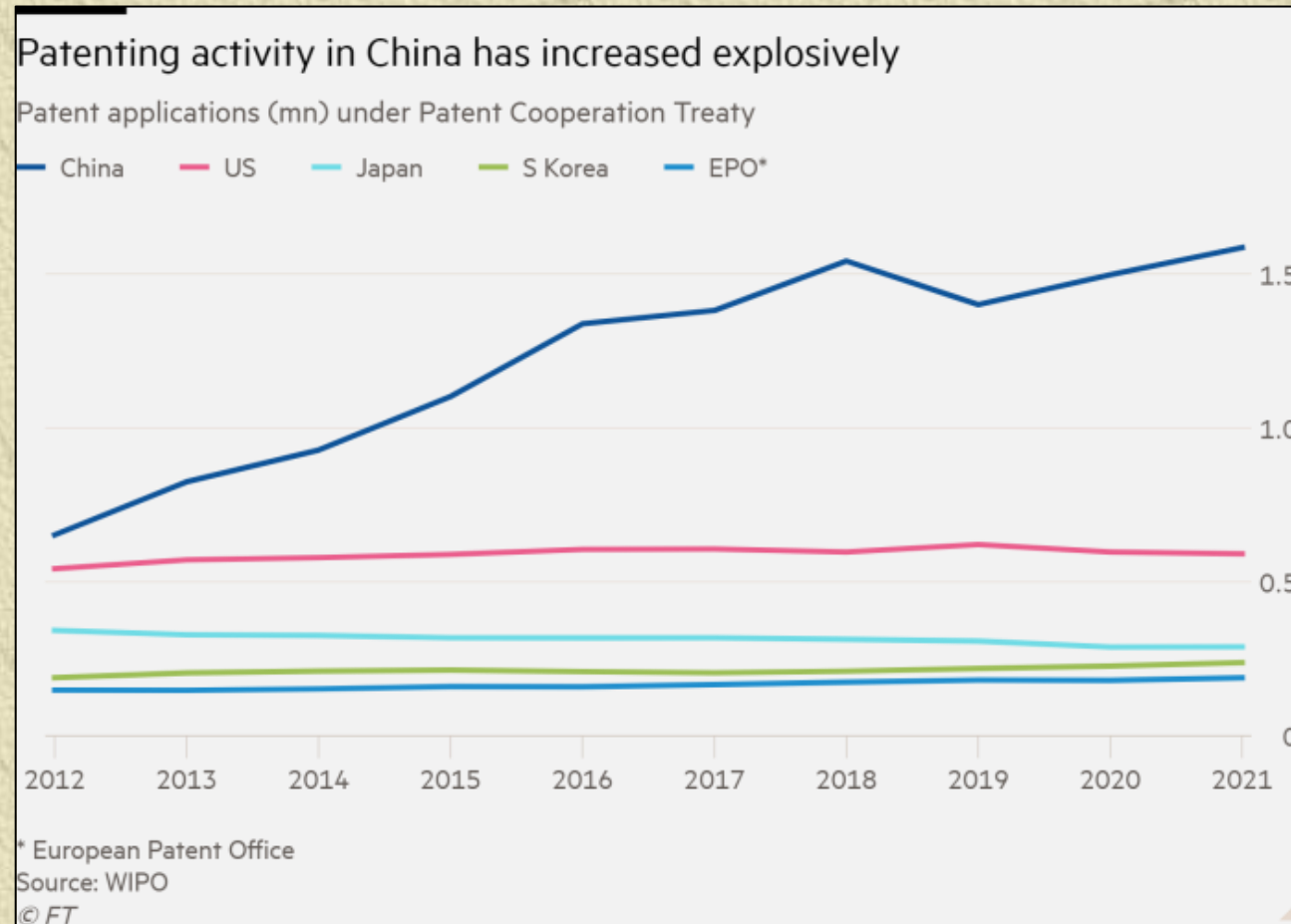
- China is a leader in patent application / innovation
- In US & EU: 50% of applications are filed by foreigners
- A proxy for a patent's value is in how many countries it is filed
- Patents filed abroad by:
 - China: < 5% of all Chinese patents
 - US: 27% of total filed abroad
 - EU: > 40% of total



Economist, "How innovative is China?", 5 Jan 2013, p. 47

Trade-related IP protection,

- China's patenting



Fin Times, “We should not call ‘peak China’ just yet”, M. Wolf, 20 Sep 2023, p.17

Trade-related IP protection, continued . . .

- ◆ An illustration of graduation: "Microsoft Scores China Piracy Win", *WSJ*, 6 Apr 2006, p. 3
 - "*China's* top three *makers of personal computers agreed to ship their products loaded with legitimate copies of* Microsoft Corp.'s *Windows operating system*, a step that addresses some of the piracy concerns straining commercial ties with the US."
 - "*Illegal copies* of Microsoft's products *could be bought . . . for just a few dollars*, . . . Most computer *users [unwilling] to pay full price* for the official versions."

Trade-related IP protection, continued . . .

- ". . . The *Chinese government* pressured computer manufacturers into *new measures to curb piracy*. . . the timing reflected international pressure . . . to toughen up on piracy and counterfeiting, which US officials blame for its ballooning trade deficit. But *China's* recent *progress on piracy* also *reflects a* feeling in officialdom that the *problem* could be *hurting domestic companies as well*."
- " The *government* has often *tolerated IP rights violations* . . . , *and* has *sought ways to avoid paying for international technologies*."
- ". . . with *China spending more than 1% of its GDP on research*, better [IP] *protection* . . . of inventions . . . *is now 'a matter of self-interest'*"
- "The Chinese manufacturers' new willingness to do deals with Microsoft also *reflects the changed dynamics in the domestic industry* since *market leader Lenovo transformed itself into a global player* with the purchase of IBM Corp.'s PC business in 2005."

5. Case for Multilateral IP Protection

5.1 Comparing int'l stds/regs for labor, environmental and IP protection

- ✦ Harmonization: regulatory failure or market functioning?
- ✦ Violation of a std/reg: appropriate policy response?

5.2 Case for multilateral trade rules

- ✦ Do different stds/regs:
 - ◆ Distort trade/investment?
 - ◆ Result in a cross-border externality?
- ✦ Are trade sanctions a means to correct problem?

The Case for Multilateral IP Protection, continued . . .

WTO issues	Labor	Environment	IP
Trade flows and foreign investment distortions	Do different standards/regulations distort trade?		
	Do different standards/regulations distort foreign investment?		
Cross-border externality and/or mkt failure	Does trade under different standards/regulations result in an externality?		
Trade policy effectiveness (sanctions)	Does a trade sanction (trade ban or tariff) correct the problem?		