

# Global Value Chains and the Political Economy of WTO Disputes

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# Motivation

- When and how are GVC-related firms/interest groups mobilized in the course of a trade dispute?
- Gap in existing scholarship between the domestic and international politics of WTO disputes
  - Decline in anti-dumping filings in the US (Jensen, Quinn, and Weymouth 2015) due to increasing vertical FDI of US MNCs. *Do GVC-related interests mobilize politically when trade disputes do arise?*
  - Faster compliance in WTO dispute cases (Yildirim, Chatagnier, Poletti, de Bièvre 2017): due to mobilization of GVC-related pro-liberalization forces. *Why aren't they successful in preventing litigation in the WTO in the first place?*

# Analytical Framework

- Empirical domain: US anti-dumping cases
  - Transcripts of hearings available through ITC website
  - Trade policy instrument used worldwide that increasingly targets intermediate/GVC goods (Bown 2018)
- 1. ITC/Department of Commerce procedures: where is the opposition? Expectations: relevance of opposition arguments is low
- 2. From ITC to WTO: under what conditions to AD cases escalate to WTO disputes? Expectations: potential for GVC-based cross-border coalitions vs. high litigation costs

# US Anti-Dumping Cases: ITC Hearings on Determinations of Injury and Imposition of AD Duties

- Petitioners and opposing interests both given equal time and opportunity to present their cases
- Opposition is active: of 159 current cases (since 2003), opposition is recorded in 136 cases (87%); of these 101 include domestic importers (64%)
- Reasons for opposition:
  - Inadequate domestic supply: few suppliers
  - Low quality of domestic supply: lack of 'quality controls'
  - Supply chain considerations: need to diversify suppliers
- Opposition is unsuccessful: ITC commissioners ruled in favor of petitioners in 129 cases (82%)

## From ITC to WTO

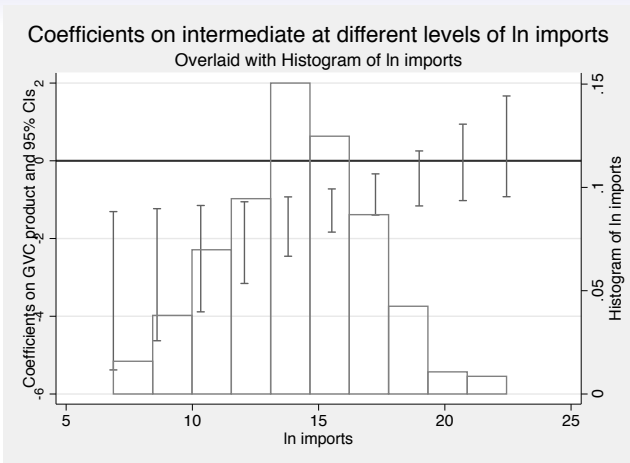
- Data from Temporary Trade Barriers Database (Bown 2016). Unit of analysis: i) AD case-country-product; ii) AD case-country
- Dependent variables: incidence of WTO dispute, covering i) Request for Consultations; and ii) Panel
- Independent variable of interest: GVC-related trade
  - GVC goods: WITS database
  - Intermediate goods: Broad Economic Categories (UN Comtrade)
  - Intra-firm trade: US Related-Party Trade (Census)
  - Interaction between dichotomous indicator and volume of GVC-related trade measure (Schott 2008, updated data)
- Controls: Democracy, GDP, GDP per capita, Bush and Obama presidencies, net bilateral trade (without trade in product under dispute); industry FEs

Table 2: Likelihood of WTO dispute

	Consultations		Panel	
	(1)	(2)	(3)	(4)
<i>(log) Imports of Product</i>	0.00 (0.035)	0.11 (0.099)	0.01 (0.036)	0.05 (0.091)
<i>GVC Good</i>	-3.65** (1.824)		-3.33* (1.878)	
<i>GVC*(log) Imports of Product</i>	0.17 (0.107)		0.15 (0.110)	
<i>Intermediate Good</i>		1.86 (1.862)		0.54 (1.672)
<i>Intermediate*import</i>		-0.10 (0.119)		-0.03 (0.110)
<i>Polity</i>	-0.12*** (0.035)	-0.12*** (0.036)	-0.13*** (0.034)	-0.13*** (0.035)
<i>(log)GDP</i>	0.55** (0.216)	0.55** (0.215)	0.51*** (0.194)	0.51*** (0.193)
<i>(log) GDP per capita</i>	0.23 (0.225)	0.22 (0.222)	0.27	0.26
<i>Bush</i>	-2.07*** (0.403)	-2.06*** (0.407)	-1.73*** (0.308)	-1.72*** (0.312)
<i>Obama</i>	-2.43*** (0.820)	-2.40*** (0.821)	-1.83*** (0.660)	-1.81*** (0.662)
<i>(log) Bilateral Trade</i>	0.53* (0.306)	0.53* (0.308)	0.20 (0.225)	0.20 (0.222)
Constant	-15.80** (6.430)	-17.85*** (6.207)	-16.49*** (5.716)	-17.35*** (5.644)
Industry fixed effects	yes	yes	yes	yes
Observations	6,314	6,314	6,314	6,314
Pseudo R <sup>2</sup>	0.30	0.28	0.30	0.27

Robust standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1



Note: median value of trade in product (\$1.6 million);  
cost of litigation (\$1 million per year (Brutger 2014));  
average duration of WTO dispute (3 years, Hoekman and Kosteci 2010)

## Conclusion and Outlook

- GVC-related interests are not significantly different from other pro-trade forces
- Pro-trade forces overall are disadvantaged on two fronts
  - Domestic political arena: institutional rules on anti-dumping cases make opposition unsuccessful in preventing the adoption of protectionist measures
  - Litigation at the WTO: too expensive; value of trade is often significantly less than the cost of litigation
- Moving forward:
  - extension of analysis beyond US cases
  - ongoing WTO dispute concerning US on Certain Measures on Steel and Aluminum Products. Complainants include an international coalition: Turkey, Switzerland, Russia, Norway, Mexico, Canada, EU, India, China, and counting



Thank you!