1. **What have been the major developments in the post-1945 trade regime and why have they occurred?**

Two major developments since WWII

* (1) Trade flows expand rapidly, outstripping growth in production, but changing forms of protection emerge
  + In period 1945-2007, world output doubles, trade quadruples (p. 108)
  + Relationship between trade and growth continually debated (p. 109)
  + Rapid increase in intra-industry and intra-firm trade (p. 110)
  + 1947-1973, rapid economic expansion in global North offsets potential competition for NICs (gains in employment from economic growth offset potential loss of manufacturing jobs) (110-111)
  + Downturn in global economy after 1973 increases political salience of unemployment, preservation of employment by restricting trade increasingly accepted, but tariff barriers increasingly difficult to employ in the context of GATT
    - Voluntary export restraints, import quotas, product standards, anti-dumping measures are widely adopted (p. 111)
    - Leads to increasing dissatisfaction with the GATT, creates impetus for the creation of the WTO
* (2) Institutional arrangements for governing trade
  + Trade regime after WWII based on ‘embedded liberal’ system, primarily liberal system that allows deviations to support domestic goals (pp. 112-113)
    - Four key principles: non-discrimination, reciprocity, transparency, multilateralism
    - Original plan was to have International Trade Organization included in postwar regime, but American business and congressional opposition prevents it being put in place
  + Three key features of GATT period trade liberalization
    - Considerable reductions in tariffs on manufactured goods
    - Progress on liberalization uneven, agricultural protection remains unchecked until Uruguay round in the 1980s-1990s
    - Additional issues placed on agenda after Tokyo Round in 1970s, including use of NTBs; Uruguay Round leads to inclusion of services, IPRs, investment, environment, labour standards, domestic policies (p. 113)
  + Dissatisfaction with GATT, especially around growing forms of new protectionism, helps facilitate creation of WTO
    - Three major changes implicit in creation of WTO: i. shift from shallow trade liberalization based on tariff reductions to deep integration based on domestic policies, regulations, institutional practices; ii. expanded scope of trade agenda to include services, TRIPs, domestic policies; iii. movement towards policy harmonization on subsidies, investment, services (pp. 114-115)

Causes:

* 1) The costs and benefits of international trade are debated
  + Liberal trade theory draws on concept of comparative advantage to argue that freer trade is positive sum game (pp. 104-105)
    - Suggests that specialization according to comparative advantage is better for everyone, facilitated by free trade
    - Expanding trade due to the benefits it brings all parties
  + Critics of free trade suggest that free trade is not always in everyone’s interest
    - Protection of infant industries, national security, culture, and strategic trade in areas where social and economic costs of falling behind are pronounced (pp. 105-107)
    - Radical critics emphasize importance of historical power relations in the creation of comparative advantage; unequal distribution of gains from free trade; price differences between goods produced in high and low income countries; social, gendered, and environmental costs of free trade (pp. 107-108)
  + Theories of trade are inherently political
    - Normative and ideological conflicts over the costs and benefits of trade shape the actual practice of trade governance
      * Liberalization profoundly shaped by arguments about comparative advantage; new forms of protectionism justified by arguments about costs of free trade
      * Real ‘embedded liberal’ regime juggles arguments for and against free trade
* 2) Structural changes in global economy
  + Changing international division of labour, especially shift of manufacturing towards developing countries, with consequences for patterns of employment on a global scale (Chapter 9)
  + Globalization of production, increasing power of transnational corporations over economic activity (Chapter 7, especially pp. 131-138)