

Professor Csongor István Nagy

International Trade

Session 1

This teaching material has been made at the University of Szeged, and supported by the European Union. Project identity number: EFOP-3.4.3-16-2016-00014.



Welcome to the course on International Trade.

The growing importance of international trade in the global economy has made international trade law one of the most important topics in international relations and international law. This **course focuses on** the international legal framework for international economic relations. It also addresses the new generation of free trade agreements, such as CPTPP and the CETA.

The **course deals with** the legal problems of the four channels of international economic relations: trade in goods, services, technology (knowledge) and investments. It examines the rules, principles and case-law of the GATT, GATS and TRIPS agreements and those of investment protection (bilateral investment treaties, ICSID etc.).

The **course covers** political and economic arguments for and against free trade, the history of the GATT system and the creation of the WTO, and the core topics of the WTO's complex set of rules on international trade in goods, services and intellectual property. These topics include WTO dispute settlement, tariffs, quantitative restrictions, principles of non-discrimination (most-favored-nation treatment and national treatment), exceptions to WTO rules, agreements on sanitary and phytosanitary measures and technical barriers to trade, anti-dumping law and counter-veiling duties. In the domain of investment protection, the course covers, in particular, the concept of expropriation, including creeping expropriation, the fair and equitable treatment standard and dispute settlement.

The **course aims at** providing the students with a broad overview on the economic and legal issues of international economic relations and at equipping them with the basic conceptual tools that are necessary for identifying and analyzing the problems of international economic matters.

At the **end of the course**, students will be able to

recognize those state acts that fall foul of the rules and principles of WTO or of investment protection law and to identify relevant legal issues. Students will be familiar with the theory and practice of international economic law and be able to analyze the problems of international economic relations.

For a presentation of the content of the course, please watch my video prepared for Session 1.

The **first session** of the course provides a general insight into the **institutional and regulatory framework of world trade**.

Please watch the short video prepared by One Minute Economics, titled “The World Trade Organization (WTO) Explained in One Minute”, which provides a concise summary of the WTO. The video is available at <https://www.youtube.com/watch?v=8-voHI16vFE>

Since the adoption of GATT 1947, world trade has seen a remarkable development in terms of **tariff reductions**, **trade liberalization** and **international disciplines**. As a result of the various trade “**rounds**,” WTO member states agreed to enormous tariff reductions. Furthermore, world trade became highly integrated, among others, as a result of **global supply chains** and **regional economic integrations** (mostly free trade agreements). Although protective measures in individual industries may be feasible, this makes **economic protectionist generally unsustainable**.

International trade has four channels: trade in goods, services, knowledge (intellectual property) and capital. The **first three are dealt with by the regime of WTO law**, while trade in capital and the

flow of capital and not or only slights regulated here and is left to bilateral or plurilateral agreements, mainly bilateral investment treaties (**BITs**).

Please read pages 90-109 of the following paper. This part of the paper provides an insight into the **modus operandi of international trade** and how this modus operandi makes **frontal protectionism self-destructing**. The paper also demonstrates that the current regime of world trade law developed under the auspices of the WTO **significantly limits protectionist policies and leaves no room for a comprehensive protectionist policy**.

Nagy, Csongor István, World Trade, Imperial Fantasies and Protectionism: Can You Really Have Your Cake and Eat It Too? 26(1) Indiana Journal of Global Legal Studies 87-132 (2019).

The paper is available at <https://ssrn.com/abstract=3363951>

At the end of the session, please answer the following questions:

- What is the WTO about? Why was it established and what is its purpose?
- How much room is left to states in world trade to have resort to unilateral protectionist strategies?
- What are the major disciplines of WTO law (rules which limit member state action)?
- What is the global factory in international trade?
- What is trade creation and trade diversion in the context of free trade agreement?