On the implications of digital technologies for the multilateral trading system

By Robert W. Staiger, Department of Economics, Dartmouth College

There is little formal research into the implications of digital technologies for the multilateral trading system and the role of the WTO. However, the literature on the economics of trade agreements offers a possible approach to thinking about these issues. On the basis that trade agreements address the international externalities associated with unilateral trade policy decisions (see Bagwell and Staiger, 2016; Grossman, 2016), two questions might be asked: (1) How might digital technologies interact with the traditional international policy externalities addressed by the WTO; and/or (2) might they create new forms of international externalities that the WTO could address?

Consider the first question. In the literature on the economics of trade agreements, shifting a portion of the costs of unilateral trade policy interventions onto trading partners gives rise to a "terms-of-trade" externality. The market access issues that dominate WTO discussions can be reinterpreted within this literature as terms-of-trade-manipulation/international-cost-shifting issues (Bagwell and Staiger, 2002). The question can then be rephrased as whether digital technologies might alter the trade rules that are necessary to deal effectively with terms-of-trade manipulation.

There are many channels through which digital technologies could have such an effect (see, for example, the discussion in Gin part because of the different nature of the WTO approaches to liberalization in the GATT and in the GATS. While the GATT's approach may be term2 TD [(i012 Tc)4liii0129231.1 (s)14 (a)-1.12 Tc 062.1 zaw1 (e)12 ( )2 TD [(n)-D [(i0123.6 (g(e)1 (i)-16.2 (z)-3.6 (n i)-12.7 (n t)-8