

# WTO agreement on the supply of public goods

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# What is a public good?

1. Not limited to Samuelson's "extreme" and very narrow definition of "pure public goods" that are non-excludable and non-rival in consumption.
2. Not limited to global public goods
3. See: [The Use and Abuse of the Phrase "Global Public Good"](#), *Developing Economics*, JULY 16, 2020

# A few examples

- Human Genome Project (and follow on projects like Ensembl)
- Patrolling the high seas to protect against piracy,
- Refugee services
- Mobilization of resources and measures to respond to natural disasters
- Measures to reduce carbon emissions to combat global warming
- Protecting wilderness areas and endangered species
- Funding the development of new drugs to overcome antimicrobial resistance to existing antibiotics
- Open source distance education tools
- Digital libraries and archives for education and research
- Creating DAISY (the Digital Accessible Information System) format versions of books for persons who are blind or have other disabilities
- Disarmament and arms control
- Research and development and other measures to control locust damage to crops
- Funding of basic science in all fields

# Motivation

- The chronic undersupply of goods that have public and social benefits is a persistent problem at all levels of society.
- Governments have tools to address these issues through taxation and regulatory measures on the local and the national level, but the international dimension suffers from a lack of enforceable mechanisms to ensure that collective action to supply social/public goods will be credible and sustainable over time.
- Governments often lack of confidence that others will follow through on funding commitments.

# Binding international agreements

1. Time consuming to negotiate and ratify
2. New institutions that require investments in time, money and diplomatic skills to manage and monitor.
3. Many useful cross collaborations involve small numbers of interested parties, or discrete projects that are not large enough to justify a new legal instrument.
4. Enforcement is a frequently a challenge.

# WTO Dispute Settlement Understanding (DSU)

Historically, the feature that makes the WTO unique and important among multilateral institutions is the power to enforce its agreements.

(Recognizing current challenges facing the WTO), the Dispute Settlement Understanding (DSU) is designed to enable diverse trade sanctions against WTO members when rules or commitments are broken

The sanctions may take the form of tariffs on selective or targeted goods, and also other measures, including retaliation against intellectual property rights.

# Proposal for agreement on supply of public goods

Create an option for governments to make binding offers and commitments for the supply of heterogeneous global public goods.

The new agreement would be modeled in part on the WTO General Agreement on Trade in Services (GATS).

The GATS is designed to liberalize trade in service, featuring a system of binding “offers.” The offers are not uniform, and depend upon a willingness to liberalize in a specific sector, and the interest of other countries that they do so.

Liberalization commitments are traded in an environment where “asks” and “offers” cover a wide range to topics, including changes in tariffs or agricultural subsidies, or requests for support of new intellectual property norms. What is key to the services agreement is its ability to accommodate a diverse set of offers, in a multilateral negotiation, where consensus on uniform norms is unlikely.



The proposal is to borrow from the GATS the structure of accepting binding heterogeneous offers to supply — in this case, not liberalization of trade in services, but the supply of public goods.

# Some technical issues

1. Standardized and sui generis offers
2. Exit offers
3. Enforcement

# Benefits of an agreement

It can replace the need to set up a separate treaty or agreement, using the WTO's existing governance structure and secretariat, or complement separate treaties or agreements (by lending the WTO's enforcement powers to third party agreements on public goods).

By introducing public goods into the WTO environment “asks” and “offers” in negotiations would not longer be exclusively about the private goods market.

Public goods would have value as a trading chip in the WTO environment.

# Prospects of reach consensus in th WTO

- We have had a favorable reaction to the proposal from a diverse set of WTO members.
- There is no natural opposition. Not a “winners and losers” negotiation.

# For more information

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