

# ARGENTINE JOURNAL OF INTERNATIONAL ECONOMICS (RAEI)

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## EDITORIAL

The third issue of the Argentine Journal of International Economics (RAEI) was released amidst a state of affairs that is not so different from that we described some months ago. The financial crisis, far from being resolved, reappears in the global scene with new of the same old obstacles to the development of emerging economies. Unemployment and stagnation are the key actors in this drama. The plot is quite simple. No growth is big enough so as to promote growth somewhere else.

A group of renowned academics defined growth of advanced economies with anaemic features as “secular stagnation”. This term was coined for the first time in 1938 by economist Alvin Hansen to describe the situation of the US economy after the Great Depression. As a result of the imbalance between savings and investment, the economies would require negative real interest rates to reach full use of their resources. The solution proposed for the current situation would consist in a strong drive towards investment to stimulate aggregate demand.

Said theoretical plane clearly shows no correlation with the harsh economic and political state of affairs. Developed countries growing at low rates like the United States and Japan are considering continuation of the monetary stimulus.

On the contrary, in Europe, the idea of a change in the economic direction is reinforced as a result of the adverse effects that the “austerity trap” had in terms of growth, employment and public debt. The same recipe applied to so heterogeneous countries is leading towards a descendent economic spiral, whose way out is not so easily seen. Furthermore, the distribution of the benefits of the European integration was clearly not symmetric. Peripheral economies in Europe have been paying high costs in terms of growth, unemployment and public indebtedness, while Germany achieved record trade surpluses and refrained from making any type of reform that would promote the weak European demand.

The motto “flexibility and investment” is gaining supporters as opposed to that of “cuts and austerity”. That is slowly made clear in the use of heterodox monetary policies that have already been applied in other countries, though not yet in fiscal policies.

On the other hand, developing countries undergo different situations within a framework of growth rate deceleration as a result of the slowness in global recovery and the restrictions they face, those of their financial markets being among them.

To sum up, developed countries do not succeed in finding the “formula” for growth and most developing countries face limits of a financial type. Consequently, this issue of the RAEI is aimed at analysing and grasping some of these new phenomena, as well as their potential consequences for Argentina.

In order to investigate into those facts and new paradigms, the first article in this issue delves into a line of research on the changes in the structure of the world economic power and its consequences in the enormous difficulties faced by the WTO to reach a definite agreement in the Doha Round. Nowadays, this negotiation process has a new variable: the power of veto of emerging countries. However, the challenge lies in transforming this veto power in vote power, in the sense that after over half a century

of delays in designing the regulations, developing countries can consolidate their specific needs in trade regulation.

With reference to the problems arising to reach sustained recovery, another study makes valuable contributions assessing foreign trade elasticities as factors that condition the rate of growth that could be reached by an economy in the long term. Out of this estimation, interesting conclusions can be reached, related to the process of global value chains aggregation.

Within that theoretical framework recently promoted by organizations such as the OECD or the WTO, another article introduces a general equilibrium model that studies the relationship between trade policy, foreign competitiveness and economic growth. This study tries to shed light on the macroeconomic effects and demystify the policies “suggested” by these international organizations under the new paradigm of global value chains.

One of the few international spaces where to “claim” against implementation of international trade measures is the WTO Dispute Settlement Body (DSB). The number of cases dealt with by the DSB has increased in recent years, as well as their complexity. In this issue, we wonder: how it really works, who uses it, who wins, who loses, what outcome the reclamations have had, among some other issues. It is for that reason that we introduce the database elaborated in this National Directorate Centre for International Economy (DNCEI) with the cases submitted to this system from its inception.

Linked to the new forms of intervention, the third issue of this journal concludes with an article questioning the measures to control carbon emissions within the framework of the civil aviation and its impact for Argentina.

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