

International Trade and Policy

**WEEK 15 – Applied Policy Debates and
Workshops: Digital Trade, Agricultural Subsidies,
National Security & Trade Controls.**

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Agenda

1. Workshop format & learning objectives
2. Module 1: Digital trade & data governance
3. Module 2: Agricultural trade & subsidies
4. Module 3: National security & trade controls
(semiconductors)
5. Case study: Major trade dispute
6. Group debate & policy simulation

Learning Objectives

- Analyze contemporary trade policy debates
- Evaluate trade-offs between economic efficiency, security, and equity
- Role-play stakeholder positions in policy workshops
- Propose applied policy recommendations

Workshop Rules

- Each module: 10-min intro, 20-min debate, 10-min synthesis
- Chatham House Rule for candid discussion
- Teams: Government, Industry, Civil Society, International Org
- Output: Policy memo template provided

Module 1 – Digital Trade & Data Governance

Key tensions:

- Cross-border data flows vs. data localization
- Privacy, surveillance, and digital sovereignty
- E-commerce tariffs moratorium (WTO moratorium expiring)

Core Concepts – Digital Trade

- **Digital trade:** services + goods delivered electronically
- **Data governance:** who controls data – firms, states, or users?
- Key agreements: CPTPP, RCEP, USMCA Digital Chapter

Policy Debate #1 – Data Localization

Motion: *"Countries should require all personal data to be stored locally."*

- **For:** National security, privacy enforcement, local economic benefits
- **Against:** Higher costs, stifles SMEs, fragmentation of global internet

Case Example – EU vs. US

- **Schrems II ruling** – invalidated Privacy Shield
- EU's GDPR vs. US CLOUD Act
- Result: New EU-US Data Privacy Framework (2023) – still contested

Workshop Prompt – Digital Trade

To be divided into 4 groups – each writes a 2-min position:

- 1.US tech giant (Google, Meta)
- 2.EU data protection authority
- 3.Indian government (data localization advocate)
- 4.African SME e-commerce association

Module 2 – Agricultural Trade & Subsidies

Core issues:

- Domestic subsidies (WTO Amber/Blue/Green boxes)
- Market access & tariff escalation
- Food security vs. comparative advantage

WTO Agricultural Subsidy Rules

- **Amber box** – trade-distorting (e.g., price support) → bound to reduce
- **Blue box** – less distorting (e.g., direct payments with limits)
- **Green box** – minimal distortion (e.g., R&D, environmental)

Policy Debate #2 – Cotton Subsidies

Motion: *"Developed countries should eliminate all cotton subsidies immediately."*

- **For:** West African farmers lose \$250M+ annually due to US/China subsidies
- **Against:** Domestic political economy; transition costs

Case Study – India's Sugar Subsidies

- India's export subsidies → challenged by Brazil, Australia at WTO (2019)
- WTO ruling against India (2021) – India appealed
- Shows conflict: developing country food security vs. fair trade

Workshop Prompt – Agricultural Subsidies

Role-play negotiation: WTO Committee on Agriculture

- **Group A:** EU (CAP reform advocates – green subsidies)
- **Group B:** Brazil (competitive exporter – wants subsidy cuts)
- **Group C:** Indonesia (food security – wants special safeguard mechanism)
- **Group D:** US (farm bill status quo)

Goal: 5-point joint statement on subsidy reform.

Module 3 – National Security & Trade Controls

Focus: **Semiconductors**

- Export controls (e.g., US limits on advanced chips to China)
- Investment screening (CFIUS, EU FDI Regulation)
- Supply chain decoupling vs. interdependence

Why Semiconductors?

- Foundation of AI, 5G, defense systems
- 80% of advanced chips made in Taiwan (TSMC)
- Geopolitical leverage point – US, China, Japan, EU compete

Key Policy Instruments

1. Export controls – BIS Entity List, foreign direct product rule

2. Outbound investment screening – US Executive Order 14105 (2023)

3. Subsidies – US CHIPS Act (\$52B), EU Chips Act (€43B)

Policy Debate #3 – Decoupling

Motion: *"Countries should prioritize semiconductor self-sufficiency even at high economic cost."*

- **For:** National security, avoid coercion
- **Against:** Inefficient, slows innovation, triggers retaliation

Case Study – US vs. China Semiconductor Restrictions

- Oct 2022 – US restricts exports of advanced chips & equipment to China
- China retaliates – restricts gallium, germanium exports (key for chips)
- Impact: Dutch (ASML), Japanese, Korean firms caught in middle

Workshop Prompt – National Security

Crisis simulation: A new AI-capable chip emerges – China has it. Your team advises:

- **National Security Council** – advocate for broad export ban
- **Commerce Department** – targeted controls only
- **Tech industry coalition** – warn of lost revenues
- **Allies (Japan, Netherlands)** – demand coordination

Deliverable: 3 recommended actions.

Case Study of a Major Trade Dispute

- **US – China Phase One Trade**

War (2017-2020)

Tariffs, technology theft (Section 301),

forced technology transfer

Timeline of the Dispute

- 2017 – US launches Section 301 investigation
- 2018 – Tariffs on \$250B Chinese goods; China retaliates
- 2020 – Phase One agreement: China pledges \$200B in additional US purchases
- 2024 – Escalation in EV, chip controls

Key Stakeholders

- US steel & agriculture – gain from reduced Chinese imports
- US manufacturing – higher input costs
- China – decoupling accelerates indigenous innovation
- WTO – weakened dispute settlement system

What Did We Learn?

- National security justification expanded beyond military
- Tariffs not effective in changing core practices (e.g., IP, subsidies)
- Allies face collateral damage – need plurilateral coordination

Workshop – Apply to a New Dispute

Scenario: EU imposes carbon border adjustment mechanism (CBAM). Brazil challenges as protectionist.

- Teams: EU, Brazil, WTO Secretariat, Global South coalition
- Draft a 3-paragraph dispute settlement proposal

Group Debate Format (30 min)

- **2 teams** – Proposition vs. Opposition on:
“This house believes that national security exceptions (GATT Article XXI) are overused and should be subject to WTO dispute review.”
- 3 min opening each, 10 min open floor, 2 min closing each

Debate Preparation Tips

- Use evidence: WTO case law (Russia–Traffic in Transit, Saudi Arabia–IPRs)
- Define “national security” broadly vs. narrowly
- Consider systemic impact: slippery slope or necessary flexibility?

Policy Memo Exercise

Each participant writes a **1-page memo** (30 min):

Topic: *Should the WTO create a new agreement on digital trade?*

Sections: Issue, stakeholder positions, policy options, and recommendations.

Sample Memo – Digital Trade Agreement

- **Option 1:** Multilateral (WTO JSI) – low ambition, high membership
- **Option 2:** Plurilateral (e.g., Indo-Pacific Economic Framework) – faster but exclusionary
- **Option 3:** Open plurilateral with most-favored-nation extension

Key Takeaways – Digital Trade

- Data governance will define 21st-century trade
- Fragmentation risk – need interoperability
- Developing countries need digital capacity building

Key Takeaways – Agriculture

- Subsidy reform stuck – developed vs. developing impasse
- Climate change will force new green subsidy rules
- Food security exemptions likely to expand

Key Takeaways – National Security

- Economic security = national security
- Export controls are new normal – but need multilateral guardrails
- Semiconductor race will intensify

Cross-Cutting Themes

- **Resilience vs. efficiency** – supply chains
- **Unilateralism vs. multilateralism** –
WTO's relevance
- **North-South divide** – digital divide,
subsidy space, security exceptions

Policy Recommendations – Short-term

1. Extend WTO e-commerce moratorium for 2 years with development review
2. Launch WTO agricultural reform track focused on green subsidies
3. Create G7/G20 semiconductor export control coordination mechanism

Policy Recommendations – Long-term

- New WTO agreement on data governance (privacy + flows)
- Rebalance agricultural subsidies toward R&D and climate resilience
- Multilateral investment screening principles to avoid escalation spiral

Workshop Feedback Form

Rate each module (1-5):

- Clarity of policy problem
- Quality of debate materials
- Usefulness for your professional work

Open comment: Most important insight gained?

Further Reading

- WTO World Trade Report 2023 – “Re-globalization”
- CSIS reports on semiconductor supply chains
- Hoekman & Mavroidis – “WTO Law and Policy” (3rd ed.)

Appendix – Debate Scoring Rubric

Criteria	Points
Use of evidence	4
Rebuttal quality	4
Clarity & persuasion	3
Teamwork	2
Policy relevance	2
Total: 15	

References

1. WTO Secretariat. (2023). *World Trade Report 2023: Re-globalization for a Secure, Inclusive and Sustainable Future*. World Trade Organization. Geneva.
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4. WTO Appellate Body. (2019). United States – Tariff Measures on Certain Goods from China (DS543). World Trade Organization.
5. Chatham House. (2023). Chatham House Rule. London: Royal Institute of International Affairs.
6. WTO. (2019). United States – Tariff Measures on Certain Goods from China (DS543). Panel Report (circulated September 2020).
7. Congressional Research Service (CRS). (2024). Semiconductor Export Controls on China. CRS Report R47691.

Closing Discussion

- One thing you would change in current trade policy
- One thing you would keep
- One action you will take after this workshop

Thank You