Geopolitics and Shallow Integration

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January 2026

The GATT/WTO system rests on three fundamental design features: reciprocity, non-discrimination through the Most Favored Nation (MFN) principle, and a shallow approach to integration that focuses trade negotiations on border measures while allowing governments wide latitude over domestic policies. Previous literature (see, for example, Bagwell and Staiger, 2002) has established the economic logic of these principles in a world free of geopolitics. In Mattoo, Ruta and Staiger (2024), we explore the implications of rising geopolitical rivalry for the first two pillars, finding that reciprocity and MFN may need to be relaxed when geopolitical tensions intensify. This paper extends that analysis to the third pillar, shallow integration, by allowing governments to choose domestic standards in addition to tariffs as in Bagwell and Staiger (2001). We demonstrate formally that the logic of shallow integration is preserved under geopolitical rivalry, suggesting that the GATT/WTO approach – whereby member governments negotiate tariff bindings that secure market access commitments while retaining flexibility to adjust domestic policies unilaterally provided these adjustments preserve agreed market access levels – remains viable as a path to efficient trade cooperation even in an era of great power competition.

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I. Trade and domestic policies with geopolitical rivalry

The Model World Economy We consider a simple general-equilibrium neoclassical trade model with two countries and two goods, perfect competition, and where an asterisk "*" is used to denote foreign-country variables. The home country exports good y to the foreign country in exchange for imports of good x from the foreign country.

We denote with $p \equiv p_x/p_y$ the home country's local relative price and with $p^* \equiv p_x^*/p_y^*$ the local relative price in the foreign country. The world relative price of good x to good y is the ratio of exporter prices, $p^w \equiv p_x^*/p_y$, and p^w gives the terms of trade between the two countries. The home and foreign countries can each impose an ad valorem import tariff, t and t^*, respectively. Let $\tau \equiv 1 + t$ and $\tau^* \equiv 1 + t^*$. Sometimes we will refer to τ and τ^* as the home- and foreign-country's tariffs, directly. By the arbitrage condition that must hold with strictly positive trade volumes (which we assume throughout), the home country's local relative price is then $p = \tau p^w \equiv p(\tau, p^w)$ and the foreign country's local relative price is $p^* = p^w/\tau^* \equiv p^*(\tau^*, p^w)$.

Governments redistribute the tariff revenue lump-sum and set standards, denoted with s for the domestic country and s^* for the foreign country. Following Bagwell and Staiger (2001), these standards are best thought of as production standards but their interpretation extends to cover other domestic policies. In this setting, each country's production possibilities frontier is determined by its technologies, factor endowments, and standards, with production occurring where the local relative price equals the marginal rate of transformation. Given preferences, each country's aggregate demands are pinned down by its local relative price (which determines real factor incomes and consumption tradeoffs) and the world relative price (which together determine tariff revenue).

Hence, for any world relative price and any (non-prohibitive) tariffs, the home and foreign local relative prices are determined; and for given standards, technologies, endowments and preferences in the two countries, the home-country import demand for good x and foreign-country export supply of good x is then also pinned down. The equilibrium relative world price $\tilde{p}^w(s, \tau, s^*, \tau^*)$ is then determined by the market clearing condition that equates home-country imports of good x, M, with foreign-country exports of x, E^*, given by $M(s, p(\tau, \tilde{p}^w), \tilde{p}^w) = E^*(s^*, p^*(\tau^*, \tilde{p}^w), \tilde{p}^w)$,

with market clearing for good y then guaranteed by Walras' Law. And while we do not impose any structure on the signs of the impacts of standards on world prices, under standard conditions to rule out the Lerner and Metzler paradoxes, we have

$$(1) \qquad \begin{array}{rcl} \dfrac{\partial \tilde{p}^w(s,\tau,s^*,\tau^*)}{\partial \tau} & < & 0 < \dfrac{\partial \tilde{p}^w(s,\tau,s^*,\tau^*)}{\partial \tau^*} \text{ and} \\ \dfrac{dp(\tau,\tilde{p}^w(s,\tau,s^*,\tau^*))}{d\tau} & > & 0 > \dfrac{dp^*(\tau^*,\tilde{p}^w(s,\tau,s^*,\tau^*))}{d\tau^*}. \end{array}$$

Geopolitics We follow Mattoo, Ruta and Staiger (2024) and capture geopolitical concerns with the assumption that a government cares not only about the payoffs within its own borders, but also benefits from an increase in this payoff *relative* to that in the other country, its "geopolitical rival." Accordingly, we define the objective of the domestic government as

$$\begin{aligned} (2) \quad G = {} & W(s, p(\tau,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*)) + \\ & \rho\left[W(s, p(\tau,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*)) - W^*(s^*, p^*(\tau^*,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*))\right] \\ & \equiv G(s, p(\tau,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*), s^*, p^*(\tau^*,\tilde{p}^w)) \end{aligned}$$

and the objective of the foreign government as

$$\begin{aligned} (3) \quad G^* = {} & W^*(s^*, p^*(\tau^*,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*)) + \\ & \rho^*\left[W^*(s^*, p^*(\tau^*,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*)) - W(s, p(\tau,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*))\right] \\ & \equiv G^*(s^*, p^*(\tau^*,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*), s, p(\tau,\tilde{p}^w)), \end{aligned}$$

where ρ and ρ^* are nonnegative parameters that reflect the strength of the geopolitical preferences of the two governments, with $\rho = 0 = \rho^*$ reflecting the absence of geopolitics, and where $W(s, p(\tau,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*))$ and $W^*(s^*, p^*(\tau^*,\tilde{p}^w), \tilde{p}^w(s,\tau,s^*,\tau^*))$ are respectively the functions of domestic and foreign citizen welfare that Bagwell and Staiger (2001) assume are maximized by the respective government. The only structure we impose on W and W^* beyond curvature

properties to ensure second-order conditions for the relevant maximization problems is that these functions increase when the country's terms of trade improve, or $\frac{\partial W(s,p(\tau,\tilde{p}^w),\tilde{p}^w(s,\tau,s^*,\tau^*))}{\partial \tilde{p}^w} < 0 < \frac{\partial W^*(s^*,p^*(\tau^*,\tilde{p}^w),\tilde{p}^w(s,\tau,s^*,\tau^*))}{\partial \tilde{p}^w}$, ensuring that all the major models of political economy/distributional concerns are subsumed within this specification as discussed in Bagwell and Staiger (2001).

II. Shallow integration

In this section, we explore the logic of shallow integration in the GATT/WTO system, proceeding in two steps. In a first step, we review this logic in the absence of geopolitics as established by Bagwell and Staiger (2001). In a second step we show that the logic of shallow integration is preserved in the presence of geopolitical rivalry.

A. Shallow integration in the absence of geopolitical rivalry

Internationally efficient policies We begin by reviewing the characterization of the international efficiency frontier for the case of no rivalry, which is captured with (2) and (3) when geopolitical concerns are absent, so that $\rho = 0 = \rho^*$. Efficient policies solve the following program:

$$\begin{aligned} &\max_{s,\tau,s^*,\tau^*} \quad W(s, p(\tau, \tilde{p}^w), \tilde{p}^w(s, \tau, s^*, \tau^*)) \\ &s.t. \\ &W^*(s^*, p^*(\tau^*, \tilde{p}^w), \tilde{p}^w(s, \tau, s^*, \tau^*)) \geq W^{*E} \end{aligned} \tag{4}$$

where $W^{*E} \equiv W^*(s^{*E}, p^*(\tau^{*E}, \tilde{p}^{wE}), \tilde{p}^w(s^E, \tau^E, s^{*E}, \tau^{*E}))$ and where the internationally efficient policies are denoted by s^E, τ^E, s^{*E} and τ^{*E} and where $\tilde{p}^{wE} \equiv \tilde{p}^w(s^E, \tau^E, s^{*E}, \tau^{*E})$.

Forming the Lagrangian associated with (4) and manipulating the four first order conditions with respect to s, τ, s^* and τ^* to eliminate the Lagrange multiplier yields the three conditions that define

the international efficiency frontier:

$$\tilde{p}^w W_p + W_s \frac{ds}{d\tau}|_{d\tilde{p}^w=0} = 0 \tag{5}$$

$$\left(-\frac{p^*}{\tau^*}\right) W^*_{p^*} + W^*_{s^*} \frac{ds^*}{d\tau^*}|_{d\tilde{p}^w=0} = 0 \tag{6}$$

$$\frac{\left[W_p \frac{dp}{d\tau} + W_{p^w} \frac{\partial \tilde{p}^w}{\partial \tau}\right]}{\left[\frac{1}{\tau^*} W^*_{p^*} + W^*_{p^w}\right] \frac{\partial \tilde{p}^w}{\partial \tau}} = \frac{\left[\tau W_p + W_{p^w}\right] \frac{\partial \tilde{p}^w}{\partial \tau^*}}{\left[W^*_{p^*} \frac{dp^*}{d\tau^*} + W^*_{p^w} \frac{\partial \tilde{p}^w}{\partial \tau^*}\right]} \tag{7}$$

where subscripts denote partial derivatives and we have used the fact that

$$\frac{ds}{d\tau}|_{d\tilde{p}^w=0} = -\left(\frac{\partial d\tilde{p}^w/\partial \tau}{\partial d\tilde{p}^w/\partial s}\right) \text{ and } \frac{ds^*}{d\tau^*}|_{d\tilde{p}^w=0} = -\left(\frac{\partial d\tilde{p}^w/\partial \tau^*}{\partial d\tilde{p}^w/\partial s^*}\right).$$

As in Bagwell and Staiger (2001), the conditions in (5) and (6) can be interpreted as "national" efficiency conditions for the domestic and foreign country, respectively. Condition (5) says that at internationally efficient policy choices, the domestic government should be indifferent to a small increase in τ combined with a small change in s that holds the equilibrium relative world price $\tilde{p}^w$ fixed. This is because by holding $\tilde{p}^w$ fixed, such domestic-country policy changes do not impact the foreign government, as confirmed by inspection of the expression in (3) for G^* when $\rho^* = 0$ as we have assumed here, and so international efficiency dictates that the domestic government must be indifferent to these policy changes as well. The key structure reflected in (5) is that it isolates a condition for international efficiency that *only involves tradeoffs as perceived by the domestic government*. A similar interpretation applies for condition (6) as it relates to the foreign government choices of τ^* and s^*. The condition in (7) can then be interpreted as the "international" efficiency condition because, in combination with (5) and (6), condition (7) determines the levels of τ and τ^* that generate the efficient trade volumes between the two countries.

Non-cooperative Nash policies We next characterize the noncooperative (Nash) policy choices of the two governments when $\rho = 0 = \rho^*$. These are defined by the four first-order conditions:

$$\begin{aligned} W_p \frac{dp}{d\tau} + W_{p^w} \frac{\partial \tilde{p}^w}{\partial \tau} &= 0 \\ W_s + \left[\tau W_p + W_{p^w}\right] \frac{\partial \tilde{p}^w}{\partial s} &= 0 \end{aligned} \tag{8}$$

$$\begin{aligned} W^*_{p^*} \frac{dp^*}{d\tau^*} + W^*_{p^w} \frac{\partial \tilde{p}^w}{\partial \tau^*} &= 0 \\ W^*_{s^*} + \left[\frac{1}{\tau^*} W^*_{p^*} + W^*_{p^w}\right] \frac{\partial \tilde{p}^w}{\partial s^*} &= 0. \end{aligned}$$

Comparing the Nash policies that must satisfy (8) to the internationally efficient policies characterized by (5)-(7), it is direct to show that the top two conditions in (8) together imply that the domestic national efficiency condition (5) is satisfied in the Nash equilibrium; this is intuitive, since the domestic national efficiency condition (5) says that the domestic government should be indifferent to a small increase in τ combined with a small change in s that holds the equilibrium relative world price $\tilde{p}^w$ fixed, and the top two Nash first-order conditions in (8) ensure that the domestic government will be indifferent to *any* small change in τ or s. Similarly it is direct to show that the bottom two conditions in (8) together imply that the foreign national efficiency condition (6) is satisfied in the Nash equilibrium as well. But the first and third conditions in (8) together imply that the international efficiency condition (7) is violated in the Nash equilibrium. Hence, as Bagwell and Staiger (2001) note, we may conclude that when geopolitical considerations are absent, Nash policy choices are internationally inefficient for a single reason, namely, because of the inefficient equilibrium trade volumes they imply.

Shallow integration It is now also possible to see that when geopolitical considerations are absent, a GATT-like approach to shallow integration is feasible. In effect, with each government in the Nash equilibrium choosing a mix of its own standards and tariffs that generate inefficient trade volumes, governments can focus on negotiating tariff levels that would imply efficient trade

volumes and therefore satisfy the international efficiency condition (7). With these trade volumes implying a level of the equilibrium relative world price $\tilde{p}^w$, each government can then be allowed to adjust its mix of standards and tariffs unilaterally as long as its adjustments do not alter the level of $\tilde{p}^w$, adjustments which will ensure that the domestic and foreign national efficiency conditions (5) and (6) are then satisfied as well. As Bagwell and Staiger (2001) and (2002) observe, this procedure conforms well with the GATT/WTO tradition of tariff-led "market access" negotiations, wherein negotiated tariff bindings imply market access commitments that are protected from erosion with various GATT/WTO Articles that govern permissible non-tariff policy interventions.

B. Shallow integration in the presence of geopolitical rivalry

We now repeat these steps when governments have geopolitical concerns, so that $\rho > 0$ and/or $\rho^* > 0$, and we ask what, if anything, changes relative to the case reviewed above where $\rho = 0 = \rho^*$ and geopolitics is absent.

Internationally efficient policies under geopolitical rivalry We first characterize the internationally efficient choices of the domestic and foreign policies, which we continue to denote by s^E, τ^E, s^{*E} and τ^{*E}. Recalling that we define efficiency with respect to the government objectives G and G^*, these policies solve the following program:

$$\max_{s,\tau,s^*,\tau^*} \; G(s, p(\tau, \tilde{p}^w), \tilde{p}^w(s, \tau, s^*, \tau^*), s^*, p^*(\tau^*, \tilde{p}^w))$$

$$s.t. \tag{9}$$

$$G^*(s^*, p^*(\tau^*, \tilde{p}^w), \tilde{p}^w(s, \tau, s^*, \tau^*), s, p(\tau, \tilde{p}^w)) \geq G^{*E}$$

where $G^{*E} \equiv G^*(s^{*E}, p^*(\tau^{*E}, \tilde{p}^{wE}), \tilde{p}^w(s^E, \tau^E, s^{*E}, \tau^{*E}), s^E, p(\tau^E, \tilde{p}^{wE}))$ and $\tilde{p}^{wE} \equiv \tilde{p}^w(s^E, \tau^E, s^{*E}, \tau^{*E})$.

Forming the Lagrangian associated with (9), using the definitions of G and G^* when $\rho > 0$ and $\rho^* > 0$ given in (2) and (3), and manipulating the four first order conditions with respect to s, τ, s^* and τ^* to eliminate the Lagrange multiplier yields the three conditions that define the international

efficiency frontier:

$$\tilde{p}^w W_p + W_s \frac{ds}{d\tau}|_{d\tilde{p}^w=0} = 0 \tag{10}$$

$$\left(-\frac{p^*}{\tau^*}\right) W^*_{p^*} + W^*_{s^*} \frac{ds^*}{d\tau^*}|_{d\tilde{p}^w=0} = 0 \tag{11}$$

$$\frac{\left[W_p \frac{dp}{d\tau} + W_{p^w} \frac{\partial \tilde{p}^w}{\partial \tau}\right]}{\left[\frac{1}{\tau^*} W^*_{p^*} + W^*_{p^w}\right] \frac{\partial \tilde{p}^w}{\partial \tau}} = \frac{\left[\tau W_p + W_{p^w}\right] \frac{\partial \tilde{p}^w}{\partial \tau^*}}{\left[W^*_{p^*} \frac{dp^*}{d\tau^*} + W^*_{p^w} \frac{\partial \tilde{p}^w}{\partial \tau^*}\right]} \tag{12}$$

Inspection reveals that these conditions are identical to (5)-(7), hence we have:

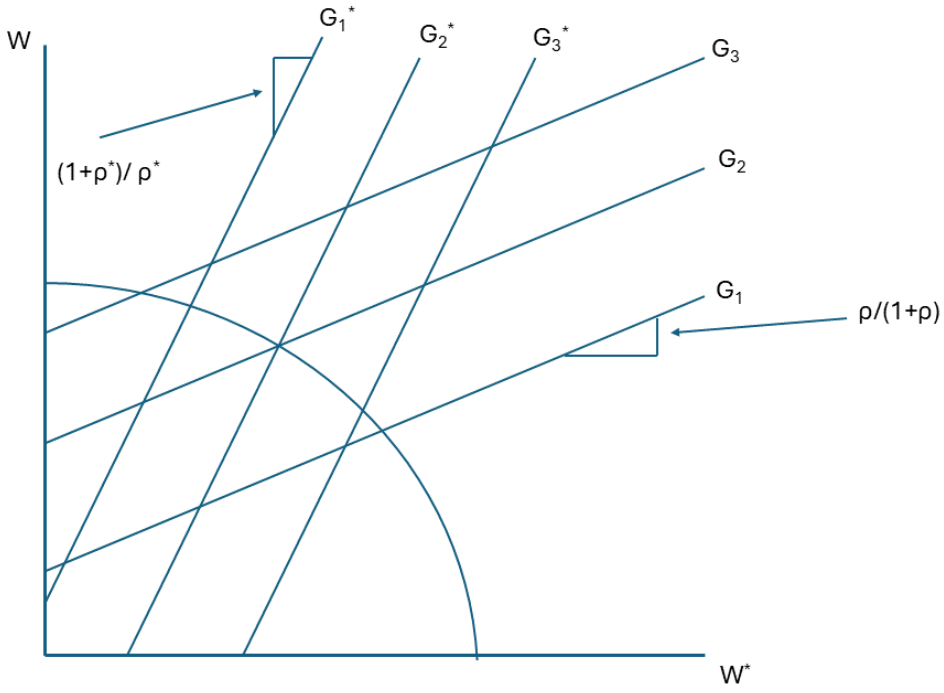
Proposition 1 *The rise of geopolitical rivalry leaves the set of internationally efficient tariffs and standards unchanged.*

As discussed in the context of the related proposition recorded in Mattoo, Ruta and Staiger (2024) where only tariffs are considered, the implication of Proposition 1 is striking. It says that if governments have negotiated to an internationally efficient set of tariffs and domestic standards in the absence of geopolitical rivalry, the rise of geopolitics necessitates *no new negotiation in order to remain on the international efficiency frontier*.[1]

It may seem especially surprising that (10) and (11) can still be interpreted as national efficiency conditions despite the presence of geopolitical considerations. After all, even when the domestic government considers changes in τ and s that hold $\tilde{p}^w$ fixed, it will *still* impact G^* through the foreign government's geopolitical desires to stay ahead relative to the domestic country. Why doesn't this impact need to be accounted for in the tradeoffs that are considered in the domestic national efficiency condition (10)?

[1] In Appendix A of Mattoo, Ruta and Staiger (2024), we show that the parameterized structure we have used to represent rivalry does not drive this result. It is straightforward to show that a similar generalization holds here.

Figure 1: The International Efficiency Frontier



The intuition for this can and for the more general claim of Proposition 1 can be understood with reference to Figure 1, which has W^* on the horizontal axis and W on the vertical axis, and where the feasible combinations of W^* and W attainable with the policies s, τ, s^* and τ^* are depicted by the concave frontier. Also depicted in Figure 1 are iso-G and iso-G^* lines, the former with slope $\rho/(1+\rho)$ and the latter with slope $(1+\rho^*)/\rho^*$, and with $G_1 < G_2 < G_3$ and $G_1^* < G_2^* < G_3^*$. As Figure 1 makes clear, any point inside this frontier could not be consistent with international efficiency as defined by the solution to (9), since for the given level of G^* it would be feasible to raise G; and this implies in turn that international efficiency requires maximizing W for any given W^*, a requirement that would be violated if condition (10) were not met. An analogous intuition applies for the foreign national efficiency condition (11).

Non-cooperative Nash policies We next characterize the noncooperative (Nash) policy choices of the two governments when $\rho > 0$ and $\rho^* > 0$. These are defined by the four first-order conditions:

$$\begin{aligned}
(1+\rho)\left[W_p\frac{dp}{d\tau}+W_{p^w}\frac{\partial\tilde{p}^w}{\partial\tau}\right]-\rho\left[\frac{1}{\tau^*}W^*_{p^*}+W^*_{p^w}\right]\frac{\partial\tilde{p}^w}{\partial\tau} &= 0\\
(1+\rho)\left[W_s+\left[\tau W_p+W_{p^w}\right]\frac{\partial\tilde{p}^w}{\partial s}\right]-\rho\left[\frac{1}{\tau^*}W^*_{p^*}+W^*_{p^w}\right]\frac{\partial\tilde{p}^w}{\partial s} &= 0\\
(1+\rho^*)\left[W^*_{p^*}\frac{dp^*}{d\tau^*}+W^*_{p^w}\frac{\partial\tilde{p}^w}{\partial\tau^*}\right]-\rho^*\left[\tau W_p+W_{p^w}\right]\frac{\partial\tilde{p}^w}{\partial\tau^*} &= 0\\
(1+\rho^*)\left[W^*_{s^*}+\left[\frac{1}{\tau^*}W^*_{p^*}+W^*_{p^w}\right]\frac{\partial\tilde{p}^w}{\partial s^*}\right]-\rho^*\left[\tau W_p+W_{p^w}\right]\frac{\partial\tilde{p}^w}{\partial s^*} &= 0.
\end{aligned} \tag{13}$$

Note that, when evaluated at the Nash policies in the absence of rivalry, (8) implies that the first term in each of the four lines of (13) would be zero; and the term in square brackets that remains in each line reflects how the rival's underlying welfare would be impacted by an increase in $\tilde{p}^w$ when the rival adopts its Nash policies in (8), which it is direct to show is strictly positive when the foreign government is the rival and strictly negative when the home government is the rival. It then follows that, beginning from the policies that satisfy (8), satisfaction of (13) requires that each government's best-response tariff must rise, and each government's best-response standard must move in the direction that improves the country's terms of trade. In other words, rivalry causes each country's Nash policies to become more "trade-restrictive," in the sense that each country adjusts its best-response policies in the direction that further reduces its import volume and worsens the terms of trade of its rival. We summarize with:

Proposition 2 *The rise of geopolitical rivalry leads the non-cooperative policy choices of governments to become more "trade-restrictive," in the sense that rivalry causes each country to adjust its best-response tariffs and standards in the direction that further reduces its import volume and worsens the terms of trade of its rival.*

Proposition 2 therefore confirms that when rivalry erupts, the rivals become more aggressive with their noncooperative use of tariffs against each other, as in Mattoo, Ruta and Staiger (2024), and

extends this finding to include domestic standards as well.

Shallow integration Nevertheless, despite the changes in Nash policies described by Proposition 2, it is direct to show that the top two conditions in (13) together imply that the domestic national efficiency condition (10) is satisfied in the Nash equilibrium; similarly, the bottom two conditions in (13) together imply that the foreign national efficiency condition (11) is satisfied in the Nash equilibrium as well. Finally, the first and third conditions in (13) together imply that the international efficiency condition (12) is violated in the Nash equilibrium. Hence, as Bagwell and Staiger (2001) conclude in the absence of geopolitical considerations, we may conclude that when geopolitical considerations are present, Nash policy choices are internationally inefficient for a single reason, namely, because of the inefficient equilibrium trade volumes they imply.

Armed with this result, it is now also possible to see that when geopolitical considerations are present, shallow integration is still feasible. To establish this formally, we follow Bagwell and Staiger (2001) and define *market access* as the volume of imports a country would accept at a particular world price, a definition which links the concept of market access to the position of a country's import demand curve. Hence, the domestic-country market access at the world price $\hat{p}^w$ implied by domestic policies τ and s is given by $M(s, p(\tau, \hat{p}^w), \hat{p}^w)$, and the foreign-country market access at the world price $\hat{p}^w$ implied by foreign policies τ^* and s^* is given by $M^*(s^*, p^*(\tau^*, \hat{p}^w), \hat{p}^w)$, where M^* denotes foreign-country imports of good y and $M^*(s^*, p^*(\tau^*, \hat{p}^w), \hat{p}^w) = \hat{p}^w E^*(s^*, p^*(\tau^*, \hat{p}^w), \hat{p}^w)$ by the foreign-country balanced trade condition which must hold for any world price $\hat{p}^w$. It is direct to confirm from the market clearing condition that changes in τ and s that do not alter domestic market access $M(s, p(\tau, \tilde{p}^w), \tilde{p}^w)$ evaluated at the market clearing world price $\tilde{p}^w$ cannot alter $\tilde{p}^w$; and similarly changes in τ^* and s^* that do not alter foreign market access $M^*(s^*, p^*(\tau^*, \tilde{p}^w), \tilde{p}^w)$ evaluated at the market clearing world price $\tilde{p}^w$ cannot alter $\tilde{p}^w$.

Therefore, under a shallow integration approach, in a first step governments can focus their negotiations on achieving tariffs that in light of their Nash standards imply market access levels that together induce efficient trade volumes satisfying the international efficiency condition (12).

And with these trade volumes implying a level of the equilibrium world price $\tilde{p}^w$, in a second step each government can then be allowed to make unilateral adjustments to its mix of standards and tariffs subsequent to the tariff negotiations, as long as its adjustments do not alter the level of market access that it committed to in the tariff negotiations and hence do not alter the market clearing world price $\tilde{p}^w$. This second step ensures that the domestic and foreign national efficiency conditions (10) and (11) are then satisfied as well.

We can summarize these points with:

Proposition 3 *When geopolitical considerations are present, Nash policy choices are internationally inefficient for a single reason, namely, because of the inefficient equilibrium trade volumes they imply. In this setting, a GATT-like shallow approach to efficient integration is feasible, wherein efficient tariffs and non-tariff policies are achieved under negotiated tariff bindings which imply market access commitments that are protected from erosion by various GATT/WTO Articles.*

Taken together with the results of Mattoo, Ruta and Staiger (2024), Proposition 3 reveals an asymmetric impact of geopolitical rivalry on GATT/WTO design principles: while reciprocity and non-discrimination (MFN) face significant challenges, the shallow integration approach upon which the system is built remains fundamentally sound.

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Mattoo, Aaditya, Michele Ruta, and Robert W Staiger. 2024. "Geopolitics and the world trading system." National Bureau of Economic Research.