

*Who Wants a Cultural
Exception in the Trade
Regime and Why?*

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Terms Defined

Trade Regime:

System of rules in the GATT-WTO

Exception:

Excused deviation from trade rules

Cultural exception:

Excuses regulation for cultural goals

The Issue

- There is no cultural exception anywhere in the trade regime
- Several states have long sought one; others have resisted
- Latest example: GATS (1993)
- How and why do state preferences vary on this issue?

Literature

- Exceptions are flexibility clauses
- Flexibility is rationally optimal when there is uncertainty
- But uncertainty is not a big factor behind exceptions in trade rules
- How can preference cleavages over flexibility be explained?

General Approach

- Exceptions specify situations where normal trade rules don't apply
- States differ in how highly they value certain regulatory goals
- Sovereignty costs are crucial
- State preferences vary with anticipated sovereignty costs

Flexibility for Culture

- Both trade and culture at issue
- Market size: cultural industry more viable the larger the market
- Cultural proximity: threatened more the culturally closer to the US
- Interaction of the two influences sovereignty costs of no flexibility

Testable Hypothesis

- Countries with both large markets and cultural proximity to US most strongly favor flexibility for culture
- Empirical test: the GATS
 - Support for cultural exception
 - Scheduled commitments in AV sector

Measurement of Variables

DV: State preferences (-2, -1, 0, 1, 2)	Composite index of stance on cultural exception and commitments in AV sector
IV: Market size	Product of GDP (size) and GDP per capita (wealth) as a share of world total
IV: Cultural proximity	Structural distance between language of country i and US from language trees

Models

↑ values of DV = ↑ sector commitments
↓ values of DV = ↑ support for exceptions

	Probit	Heckman
MARKET SIZE	12.96**	9.17***
CULTURAL PROXIMITY	0.28	0.67
MARKET SIZE * CULTURAL PROXIMITY	-38.36***	-27.86***
(Other controls)		
Model χ^2	45.56***	77.81***
$N =$	99	95

Selection equation is
participation in GNS

Predicted Probabilities

Support for Cultural Exception (-2, -1)

	Small market	Large market
Culturally close to US	0.480	0.586
Culturally far from US	0.197	0.015

Predicted Probabilities

Commitments in AV services (1, 2)

	Small market	Large market
Culturally close to US	0.017	0.009
Culturally far from US	0.095	0.509

Conclusions

- The GATS is understudied in IPE
- It is very flexible, yet many states wanted more flexibility
- Regulatory diversity politicizes the inclusion of flexibility in trade rules
- It is worth understanding the sources of variation in state preferences