

Syllabus

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Course: Topics in International Trade: International Trade Agreements

Professor: Emanuel Ornelas

2018 JULY-AUGUST

PROGRAM

This short course covers the economics and the political economy of international trade agreements. We start with a discussion of the instruments of trade policy and the political economy factors that shape them. We then move to the driving forces and the consequences of multilateral and preferential trade agreements.

Observe that the course **International Trade** is *not* a pre-requisite for this course.

BIBLIOGRAPHY

The following text is useful:

- K. Bagwell & R. W. Staiger (eds.), Handbook of Commercial Policy, Elsevier/North Holland, 2016. (**HNB**)

In the following list, the readings marked with a "*" are the most likely to be covered in class.

I. Trade Policy: Facts and Effects

* **HNB**, part A, chapter 1, by C. Bown & M. Crowley.

HNB, part A, chapter 3, by P. Goldberg & N. Pavcnik.

Caliendo, Lorenzo, Robert C. Feenstra, John Romalis, and Alan M. Taylor. "Tariff Reductions, Entry, and Welfare: Theory and Evidence for the Last Two Decades." NBER WP 21768, 2015.

Lileeva, A. and Trefler D. (2010). "Improved Access to Foreign Markets Raises Plant-Level Productivity... for Some Plants." Quarterly Journal of Economics, 125(3), 1051-1099.

II. Optimal Trade Policy

* Feenstra, R.C., *Advanced International Trade: Theory and Evidence*, Princeton University Press, 2004, Ch. 7-8.

Beshkar, M. and A. Lashkaripour. "Interdependence of Trade Policies in General Equilibrium." Mimeo, 2017.

Costinot, A., D. Donaldson, J. Vogel and I. Werning. "Comparative advantage and optimal trade policy." *Quarterly Journal of Economics* 130(2), 659–702, 2015.

Lake, J. and M. Linask. "Could tariffs be pro-cyclical?" *Journal of International Economics* 103, 124-146, 2016.

Broda, C., Limao, N. and D. Weinstein. "Optimal Tariffs and Market Power: The Evidence," *American Economic Review* 98(5): 2032-2065, 2008.

III. The Political Economy of Trade Policy

HNB, part A, chapter 2, by J. McLaren.

* G. Grossman and E. Helpman. "Protection for sale," *American Economic Review*, 833-850, 1994.

* Goldberg, P. K. and G. Maggi. "Protection for sale: An empirical investigation," *American Economic Review*, 1135-1155, 1999.

Ludema, R., A. M. Mayda and P. Mishra. "Information and Legislative Bargaining: The Political Economy of U.S. Tariff Suspensions," *Review of Economics and Statistics*, 2018.

Trefler, D. "Trade Liberalization and the Theory of Endogenous Protection - an Econometric Study of United-States Import Policy," *Journal of Political Economy* 101(1), 138-160, 1993.

Garred, J. "The Persistence of Trade Policy in China After WTO Accession." Mimeo.

IV. The Economics of Trade Agreements: Overview & Institutional

Background HNB, part A, chapter 7, by G. Grossman.

HNB, part A, chapter 8, by K. Bagwell & R. Staiger.

Maggi, G. "International Trade Agreements," in E. Helpman, K. Rogoff and G. Gopinath (eds.), *Handbook of International Economics v.4*, Elsevier: North Holland, chapter 6, 2014.

Bagwell, K., C. Bown and R. Staiger. "Is the WTO Passé?" *Journal of Economic Literature*, 2016.

V. The Terms-of-Trade Theory of Trade Agreements

* Bagwell, K. and R. W. Staiger. "An Economic Theory of GATT," *American Economic Review*, 1999.

Grossman, G. and E. Helpman. "Trade wars and trade talks," *Journal of Political Economy*, 675- 708, 1995.

Bagwell, K. and R. W. Staiger. "What Do Trade Negotiators Negotiate About? Empirical Evidence from the World Trade Organization," *American Economic Review*, 2011.

Ludema, R. and A. M. Mayda. "Do terms-of-trade effects matter for trade agreements? Theory and evidence from WTO countries," *Quarterly Journal of Economics* 128 (4), 1837-1893, 2013.

* Nicita, A., M. Olarreaga and P. Silva. "Cooperation in WTO's Tariff Waters?" *Journal of Political Economy*, 2018.

VI. The Political Economy of Preferential Trade Agreements

Freund, C. and E. Ornelas. "Regional Trade Agreements," *Annual Review of Economics* 2, 139-166, 2010.

* Grossman, G. and E. Helpman. "The Politics of Free Trade Agreements," *American Economic Review* 85: 667-90, 1995.

* Krishna, P. "Regionalism and Multilateralism: A Political Economy Approach," *Quarterly Journal of Economics* 113: 227-51, 1998.

* Ornelas E. "Rent destruction and the political viability of free trade agreements," *Quarterly Journal of Economics* 120: 1475-506, 2005.

Ornelas E. "Trade Creating Free Trade Areas and the Undermining of Multilateralism." *European Economic Review* 49(7), 1717-1735, 2005.

Ornelas, E. "Feasible Multilateralism and the Effects of Regionalism," *Journal of International*

Economics 74(1), 2008.

Liu, X. and Ornelas, E. "Free Trade Agreements and the Consolidation of Democracy." American Economic Journal: Macroeconomics, 2014.

Saggi, K., A. Stoyanov and H. Yildiz. "Do Free Trade Agreements Affect Tariffs of Non-Member Countries? A Theoretical and Empirical Investigation." American Economic Journal: Applied Economics, forthcoming.

VII. The Empirics of Preferential vs. Multilateral Liberalization

* Limao, N. "Preferential Trade Agreements as Stumbling Blocks for Multilateral Trade Liberalization: Evidence for the U.S." American Economic Review 96: 896-914, 2006.

Karacaovali, B., Limao N. "The clash of liberalizations: preferential vs. multilateral trade liberalization in the European Union." Journal of International Economics 74: 299-327, 2008.

* Estevadordal, A., Freund, C. and E. Ornelas. "Does Regionalism Affect Trade Liberalization toward Non-Members?" Quarterly Journal of Economics 123: 1531-75, 2008.

Calvo-Pardo H., Freund C. and Ornelas E. "The ASEAN free trade agreement: impact on trade flows and external trade barriers." In R. Barro, J. Lee (eds.), Costs and Benefits of Regional Economic Integration. Oxford: Oxford University Press, 2010.

Fuggaza, M. and Robert-Nicoud F. "The emulator effect of the Uruguay Round on U.S. regionalism." Review of International Economics, 22(5), 1049–1078, 2014.

* Ketterer, T., D. Bernhofen and C. Milner. "Preferences, rent destruction and multilateral liberalization: The building block effect of CUSFTA." Journal of International Economics 92, 63– 77, 2014.

* Crivelli, P. "Regionalism and Falling External Protection in High and Low Tariff Members." Journal of International Economics, 2016.

J. Mai and A. Stoyanov. "The Effect of the Canada-US Free Trade Agreement on Canadian Multilateral Tariff." Canadian Journal of Economics 48(3), 2015.

VIII. Outsourcing and Trade Agreements

* Ornelas, E., J. Turner and G. Bickwit. "Preferential trade agreements and global sourcing." Mimeo, 2018.

Antras, P. and R. Staiger. "Offshoring and the Role of Trade Agreements," American Economic Review, 2012.

Antras, P. and R. Staiger. "Trade Agreements and the Nature of International Price Determination," American Economic Review P&P, 2012.

GRADING

There are two course requirements:

- (i) participation in class discussions (20 points);
- (ii) a research project on a topic related to the course material and approved by me, due on **14 September** (80 points).

PROFESSOR - EMAILS

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