

Syllabus

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Course: Topics in International Trade: International Trade Agreements

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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 provides comprehensive reviews of numerous aspects of trade policy:

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

The podcast “Trade Talks” is useful and fun for those interested in ‘what’s going with trade policy in the world.’

In the following list, the readings marked with a “#” should be read *before* the course starts; the readings marked with a “*” will be covered in class in detail; the readings marked with a “+” are assigned for student-led discussions [details to be discussed in class].

I. Trade Policy: Facts and Effects

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

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

Caliendo, Lorenzo and Fernando Parro. "Trade Policy." In: Handbook of International Economics, Volume V, forthcoming.

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.

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

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.

III. The Political Economy of Trade Policy

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

* Grossman, G. 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.

* Grossman, G. and E. Helpman. "Identity Politics and Trade Policy," Review of Economic Studies 88: 1101-1126, 2021.

Garred, J. "The Persistence of Trade Policy in China after WTO Accession." Journal of International Economics 114, 130-142, 2018.

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.

IV. The Economics of Trade Agreements: Overview & Institutional Background

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

HNB, part A, chapter 8, 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.

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

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.

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

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

Staiger, R. & A. Sykes. "The Economic Structure of International Trade-in-Services Agreements," *Journal of Political Economy*, vol. 129, no. 4, 2021.

Beshkar, Mostafa and Ryan Lee. "How Does Import Market Power Matter for Trade Agreements?" Mimeo, 2021.

VI. The sustainability of multilateral cooperation

* Mattoo, A. & R. Staiger. "Trade Wars: What do they Mean? Why are they Happening Now? What are the Costs?" *Economic Policy*, 2020.

Ossa, R., R. Staiger and A. Sykes. "Disputes in International Investment and Trade". Mimeo, 2020.

Maggi, G. "The Role of Multilateral Institutions in International Trade Cooperation," *American Economic Review*, 1999

VII. 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.

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

Ornelas, E. "Feasible Multilateralism and the Effects of Regionalism," *Journal of International Economics* 74(1), 2008.

Aghion, Philippe, P. Antràs & E. Helpman. "Negotiating free trade," *Journal of International Economics* 73, 1-30, 2007.

Lake, J. and S. Roy. "Are global trade negotiations behind a fragmented world of "gated globalization"?" *Journal of International Economics* 108, 117-136, 2017.

Yildiz, H. and K. Saggi. "Bilateralism, pure multilateralism, and the quest for global free trade," *Journal of International Economics* 81(1), 26-37, 2010.

VIII. The Empirics of Preferential Liberalization

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

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

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*, 10(3), 120-170, 2018.

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.

+ Conconi, P, M. García-Santana, L. Puccio and R. Venturini. "From Final Goods to Inputs: The Protectionist Effect of Rules of Origin," *American Economic Review*, 2018.

Mattoo, A, A Mulabdic and M Ruta. "Trade Creation and Trade Diversion in Deep Agreements," Mimeo, 2019.

Ornelas, E., P. Tovar. "Intra-Bloc Tariffs and Preferential Margins in Trade Agreements," mimeo, 2021.

IX. New Issues in Trade Agreements

Maggi, G. and R. Ossa. "The Political Economy of Deep Integration." *Annual Review of Economics*, 2021.

* Ornelas, E., J. Turner and G. Bickwit. "Preferential trade agreements and global sourcing." *Journal of International Economics* 128, Article 103395, 2021.

Grossman, G. and E. Helpman. "When Tariffs Disrupt Global Supply Chains". Mimeo, 2021.

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

Grossman, G., P. McCalman and R. Staiger. "The "New" Economics of Trade Agreements: From Trade Liberalization to Regulatory Convergence?" Mimeo, 2020.

+ Maggi, G. and R. Ossa. "Are Trade Agreements Good for You?" Mimeo, 2020.

McLaren, J. "Size, Sunk Costs, and Judge Bowker's Objection to Free Trade." *American Economic Review*, 1997.

Fajgelbaum, Pablo, Pinelopi Goldberg, Patrick Kennedy and Amit Khandelwal. "The Return to Protectionism." *Quarterly Journal of Economics* 135(1), 1-55, 2020.

+ Maggi Giovanni and Robert W. Staiger. "International Climate Agreements and the Scream of Greta," mimeo, 2021.

GRADING

There are two course requirements:

- (i) Participation in class discussions, short presentations and occasional problem sets (25 points).
- (ii) A research project on a topic related to the course material and approved by me, due on **30 August** (75 points).