

Syllabus

[cmcd.economia@fgv.br]

Course: Topics in International Trade: International Trade Agreements

Professor:

E-mail:

2025 JULY

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 handbook 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The following book has a collection of short recent articles (usually based of longer and still unpublished articles) on “deep trade agreements”:

- A. M. Fernandes, N. Rocha & M. Ruta, The Economics of Deep Trade Agreements, CEPR Press, 2021.

The following book provides an in-depth analysis of the workings of the world trading system and how it should evolve to tackle recent challenges:

- R. W. Staiger, A World Trading System for the Twenty-First Century, 2022.

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].

0. Getting Used to the Language and to the Topics

Trade Talks episode 180: “The WTO is in trouble. Econ 101 to the rescue?”

Trade Talks episode 207: “What Happened on Trump’s Tariff Day”

Baldwin, Richard (2025). <https://cepr.org/voxeu/columns/new-ebook-trumps-great-trade-hack>

I. Trade Policy: Facts and Effects

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

Caliendo, Lorenzo and Fernando Parro. “Trade Policy.” In: Handbook of International Economics, Volume V, chapter 4, 2022.

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

Albornoz, F., I. Brambilla and E. Ornelas. “Firm Export Responses to Tariff Hikes.” Mimeo, 2025.

Dix-Carneiro, R., B. Kovak. “Trade Liberalization and Regional Dynamics.” American Economic Review 107(10), 2017.

Ogeda, P., R. Soares and E. Ornelas. “Labor Unions and the Electoral Consequences of Trade Liberalization.” Journal of the European Economic Association, forthcoming, 2024.

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

+ Blanchard, E., C. Bown and D. Chor. “Did Trump’s Trade War Impact the 2018 Election?” Journal of International Economics, v. 148, Article 103891, 2025.

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.

Grossman, G., E. Helpman and H. Lhuillier. "Supply Chain Resilience: Should Policy Promote International Diversification or Reshoring?" *Journal of Political Economy* 131, 2023.

+ Antràs, Pol, T. Fort, A. Gutiérrez & F. Tintelnot. "Trade Policy and Global Sourcing: A Rationale for Tariff Escalation," *Journal of Political Economy Macroeconomics*, vol 2, no. 1, 1-44, 2024.

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.

+ Colantone, Italo, Gianmarco Ottaviano and Piero Stanig. "The backlash of globalization." In: *Handbook of International Economics*, Volume V, chapter 7, 2022.

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?" *Journal of International Economics*, 2022.

VI. The Sustainability of Multilateral Cooperation

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

Ossa, R., R. Staiger and A. Sykes. "Standing in International Investment and Trade Disputes". *Journal of International Economics* 145, Article 103791, 2023.

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

* Carvalho, C., D. Monte and E. Ornelas, "Equilibrium Trade Regimes: Power- vs. Rules-Based," mimeo, 2025.

+ Mattoo, A., M. Ruta & R. Staiger. "Geopolitics and the World Trading System," mimeo, 2025.

+ Broner, F., A. Martin, J. Meyer & C. Trebesch. "Hegemonic globalization," mimeo, 2024.

+ Clayton, C., M. Maggiori & J. Schreger. "A framework for geopolitics and economics," mimeo, 2024.

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.

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.

Lima, 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.

+ 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.

Ornelas, E., P. Tovar. "Intra-Bloc Tariffs and Preferential Margins in Trade Agreements," *Journal of International Economics* 138, 2022.

Facchini, G., P. Silva & G. Willmann. "The political economy of preferential trade agreements: An empirical investigation." *Economic Journal* 131, 2021.

Breinlich, Holger, Nadia Rocha, Michele Ruta, Joao Santos Silva and Tom Zylkin. "Machine Learning in International Trade Research – Evaluating the Impact of Trade Agreements," 2022.

IX. Other New Issues in Trade Agreements

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

Grossman, G. and E. Helpman. "When Tariffs Disrupt Global Supply Chains". *American Economic Review* 114, 2024.

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

Grossman, G., P. McCalman and R. Staiger. "The "New" Economics of Trade Agreements: From Trade Liberalization to Regulatory Convergence?" *Econometrica*, 2022.

+ Maggi, G. and R. Ossa. "The Political Economy of International Regulatory Cooperation" *American Economic Review*, 113, 2023.

+ Maggi, Giovanni and Robert W. Staiger. "International Climate Agreements and the Scream of Greta," mimeo, 2022.

Copeland, Brian R., Joseph S. Shapiro and M. Scott Taylor. "Globalization and the Environment." In: *Handbook of International Economics*, Volume V, chapter 2, 2022.

+ Shapiro, Joseph. "The Environmental Bias of Trade Policy." *Quarterly Journal of Economics*, 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 **31 August** (75 points).