



**BUSINESS SCHOOL**

## **Course Outline**

**2017**

**ECON 742: Trade Policy (15 POINTS)**

**Semester 2 (1175)**

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### **Course Prescription**

The course covers a wide range of issues arising today in the increasingly contested field of trade policy, drawing both on the standard paradigm of the economics of international trade and modern challenges to that paradigm such as those posed by the “backlash against globalisation” and related growing concerns with increasing income equality and its relationship to trade. Its coverage includes trade issues arising in connection both with modern developments such as the increasing role of global value chains and the spread of the digital economy, and with older problems of ongoing importance to New Zealand such as the persistence of serious barriers to agricultural trade. The course addresses issues and problems related both to the system of multilateral trade rules developed through the GATT and WTO, and to the spread of preferential trade agreements such as free trade areas, as well as examples of deeper integration such as the European Union and the economic relationship between Australia and New Zealand. Consideration will be given to the implications for both New Zealand and regional and global trade of recent developments such as Brexit and the changes in U.S. trade policy foreshadowed by the Trump administration, as well as the rise of protectionism more generally. Issues that have been especially controversial in recent trade negotiations will also be covered, for example investment and investor-state dispute settlement, inclusion in trade agreements of provisions on intellectual property (including implications for public health), the relation between trade policy and environmental policy, and trade and labour standards.

### **Programme and Course Advice**

The course aims to provide an in-depth understanding of trade policy and its current controversies, both for economics majors and graduate students of public policy.

Relevant economic concepts and ideas, including the basic economic analysis of international trade, will be presented in a non-technical format. Suggestions for additional readings can be provided before and during the course for students needing to deepen their understanding of these ideas and concepts. Students with a limited background in economics should consult the lecturer prior to enrolment.

### **Goals of the Course**

The goal of the course is to provide students with a detailed understanding of the key developments and policy issues in modern international trade, taking into account relevant economic analysis, rules, norms and agreements governing modern international trade, the impact on trade policy of new developments in international trade, and the challenges confronting established frameworks for trade policy.

## Learning Outcomes

By the end of this course it is expected that the student will be able to:

1. Understand how trade policy is being influenced and/or challenged by key developments in the organisation and conduct of modern international trade, including the role of global value chains, the increasing role of the digital economy in international trade, and the recent overall slowdown in world trade growth.
2. Understand the findings of established economic analysis regarding the effects of international trade and trade policy instruments for developing as well as developed countries, and the contribution of empirical evidence and economic analysis to understanding modern challenges such as the backlash against globalisation and the rise of protectionism.
3. Understand the role in regulating international trade of the multilateral trade rules developed within the GATT and WTO, the key elements in those rules, the role of WTO dispute settlement, and the challenges currently facing the multilateral trading system.
4. Understand the main features and significance for the international trading system of the recent proliferation of free trade agreements (FTAs) and other preferential trading arrangements, the policy issues raised by this phenomenon, and the insights that have been provided by economic analysis.
5. Understand the policy issues related to deeper economic integration as practiced in the European Union and between Australia and New Zealand (and elsewhere).
6. Understand policy issues related to selected “flashpoints” in modern international trade, including issues surrounding proposals for new “mega-regional” agreements in the Asia-Pacific region and elsewhere, Brexit, potential new directions in United States trade policy and their implications, and investment, intellectual property and digital economy issues in modern trade agreements.

## Content Outline

### Introduction: Developments and Trends in Modern International Trade (Weeks 1-2)

Slowdown in Global Trade Growth? Possible Causes and Implications for Global Growth

Key Developments in Modern International Trade Flows

Trade in Goods, Trade in Services, Trade-Investment Linkages

The Problem of Agriculture

Global Value Chains: “Trade in Goods vs Trade in Tasks”

Trade and the Digital Economy

Expansion of the Modern Trade Agenda

From Border Barriers to “Behind the Border Barriers”

Trade and Sovereignty

### The Effects of Trade and Trade Policy: What Do We Know? (Weeks 3-4)

The “Gains from Trade”: What Are They?

Trade and the Structure of Production: Trade and Jobs

Trade, the Distribution of Income, Adjustment Costs

The Backlash Against Globalisation: Analysis and Evidence

Trade Policy Instruments and their Effects

Tariffs, Non-Tariff Barriers and Measures, Export Subsidies and Taxes

Increasing Protectionism; Who Wins and Who Loses?

**WTO and Multilateral Trade Rules (Weeks 5-6)**

Multilateral trade rules and their role in regulating modern international trade

The Role of Dispute Settlement

The Multilateral Trading System: Strengths, Weaknesses, Threats

**Free Trade Agreements and Other Types of Preferential Trade (Weeks 7-9)**

Theory and Relevant Trade Rules

Multilateralism vs Regionalism

Analysis: The Pros and Cons of Preferential Trade

Practice:

The Global Spread of FTAs

Issue Coverage in Modern Preferential Agreements

The “Spaghetti Bowl” and Rules of Origin

Deeper Integration e.g. European Union and Australia-New Zealand CER

Rationale, Experience, Problems

**Flashpoints in Modern International Trade (Weeks 10-12)**

The Future of “Mega-Agreements”

TPP, TTIP, TISA, RCEP, FTAAP

Brexit and Its Implications

Potential New Directions in US Trade Policy: Implications for the International

Trading System, the Asia-Pacific Region and New Zealand

Trade and Trade Deficits: Understandings, Misunderstanding and Policy

Implications

Border Tax Adjustment

Currency Manipulation as an Issue in International Trade

Investment and Investor-State Dispute Settlement

Intellectual Property as a Trade Issue

Pharmaceuticals, Copyright

Digital Economy Issues in Modern Trade Policy

Trade and Environment

Trade and Labour

**Learning and Teaching**

The course will be taught in the second semester. Lectures are scheduled at 1pm-4pm on Mondays in OGGB Room 317.

**Teaching Staff**

**Associate Professor Robert Scollay**, Room 653, 6<sup>th</sup> floor, Owen G. Glenn building,

Telephone: 923 6910, email: r.scollay@auckland.ac.nz.

**Learning Resources**

There is no prescribed text. Lectures are mainly based on recommended books, journal articles, and other relevant material. In most cases these will be available in electronic or hard copy form from the General Library. Material will also be posted on Canvas. A reading list will be available for each section of the course, and separate reading lists will be provided for

essay topics and policy assignments.

### Assessment

The final mark will be based on the following:

Final exam 50%.

Coursework 50%, allocated as follows: Essay 25%, Policy Assignment 10%, Article Review 5%, Class Presentations of Policy Assignment and Article Reviews (summary) 5% each.

The expected length of the essay is approximately 3,000 words. Topics will be chosen from a list provided by the lecturer, or alternatively students may write on an approved topic of their own choice.

For the policy assignment each student will research a specific important and/or controversial policy issue in international trade, and present their findings to the class. Topics will be chosen from a list to be provided, and initial readings will be suggested for each topic.

For the article review each student will review an article chosen from a list of key articles from the economic literature on preferential trade agreements.

### Assessment

Learning Outcome	Policy Assignment	Article Review	Essay	Final Exam
1	X	X	X	X
2		X	X	X
3	X	X	X	X
4	X	X	X	X
5	X	X	X	X
6	X	X	X	X

