

ECONOMICS 427: INTERNATIONAL TRADE POLICY

Contact information

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Office hours: Monday 4:00-5:00pm and Wednesday 2:30-3:30pm Converse 312

Class time: T/Th 10:00 - 11:20 am

Class location: Converse 308

Course description

In this course, you will explore the types, historical context, economic theories, legal framework, and empirical analyses of trade policies. You will examine questions like: “What is the purpose of a trade agreement?”; “What are the effects of protectionism on an economy?”; “How do trade policies affect developing countries differently?”

Along with learning about trade policies, you can expect to gain experience reading primary source academic articles critically, writing concisely, and communicating effectively. Every class will have a discussion component for you to share ideas, answer each other’s questions, or comment on academic research.

Pre-requisites and course materials

Pre-requisites: Intermediate Microeconomics, Econ 300
Econometrics, Econ 360, will be helpful, but is not required

Course materials: A reading list and associated readings will be posted on Moodle

Grades

Your final grade will be determined by the following:

Attendance and participation:	20%
In-class presentations (2):	20%
Quality of Moodle posts:	20%
Short Papers (5):	40%

Attendance, participation, and presentations

This course is a discussion-based course. As such, attendance is mandatory. However, I do understand that sometimes things happen. Each student will have one no-questions-asked

absence. Additional absences will result in a lower attendance and participation grade, unless accompanied by a note from your class dean. In addition to attending, you must be prepared for class by having completed the reading and be an active participant in discussion. To help you in your preparation, you will write a brief response (200-300 words) to the reading on Moodle, due by midnight the night before class. Your post may discuss some of the following, but should not be just a summary of the paper:

- What is the main hypothesis or argument? What was unclear to you?
- Is the question the paper addresses important? Why or why not?
- What assumptions are made? Are they reasonable? Are they necessary?
- How is the argument supported empirically?
- Is the argument convincing? Why or why not? What are its strengths/limitations?
- How is the argument related to other papers we have read, or other arguments that you may have come across elsewhere?
- Can you think of extensions based on the paper's ideas?

Once during the semester, you will select an additional reading to present to the class. The reading list will have a few suggested articles per topic, or you can request permission to use another related article (perhaps one that is referenced in the main paper for class, another paper authored by the same person, or an article that you have previous knowledge of that is related). You will present the main insights and discuss the relationship to other works the class has read in a 10 minute presentation. Instead of only summarizing the paper, you should discuss the one or two key ideas that seem relevant to the main paper, and how they support, complement, illustrate, challenge, or differ from the argument in the main paper. Sign-ups for presentation dates will be available the second week of class.

Short Papers

Early in the semester, you will be invited to choose a controversial trade policy. Throughout the course, you will research different facets of the policy and surrounding controversy and write two to three page reports. The reports will separately cover the background, economic theory behind the policy, empirical analysis, and legal implications (more guidance on each of these will be provided during the semester; you can expect a report to be due every two to three weeks). By the end of the semester, you should have a comprehensive analysis of your chosen policy that you can present to the class. Papers should include citations, a number of different sources, and are expected to be well-written and proofread. I encourage you to consider utilizing the Writing Center

(<https://www.amherst.edu/academiclife/support/writingcenter/students>), which offers one-on-one consultations and support for public speaking. Late papers will be accepted, but the grade will be lowered by one full letter grade for each day the paper is late. For example, if the paper would have received a "B" and is submitted four hours late, the grade will be a "C"; if that same paper is instead submitted 28 hours late, the grade will be a "D."

Professional Conduct and Intellectual Responsibility

This course will be discussion-based. In addition to attending and participating in discussions, you should conduct yourself in a professional manner. This means being on time, being respectful to your classmates, being prepared, not checking your phone during class, being aware of deadlines, etc. For many of us, it is difficult to share our ideas with others for fear that our ideas are not “good enough” or “wrong.” Don’t let that stop you! I encourage you to share even your inarticulate ideas if you feel they are relevant. At the same time, I hope you can help others develop their inarticulate ideas.

If you have a documented disability that requires accommodations, you will need to register with Accessibility Services for coordination of your academic accommodations. You can reach them via email at accessibility@amherst.edu, or via phone at 413-542-2337. Once you have your accommodations in place, I will be glad to meet with you privately during my office hours or at another agreed upon time to discuss the best implementation of your accommodations.

I expect you to abide by Amherst College’s Statement of Intellectual Responsibility. All work you submit must be your own. This includes not copying from others and citing all sources in papers and Moodle posts. Violations of the Statement of Intellectual Responsibility will result in an F in the course.

Broad Topics Covered

- Introduction to empirical analysis and trade policy
 - What is the importance of institutions in trade?
 - What trade policies are being used and by whom?
 - Has the usage of trade policies changed over time?
- Types and effects of trade policy: difficulties of their study and results
 - Does trade policy matter?
 - What are the difficulties encountered when attempting to study trade policies?
 - How can we/should we understand the effects of policy?
- Disagreements on trade agreements: what is their purpose?
 - Trade agreements improve terms of trade
 - Trade agreements act as a binding commitment
 - Trade agreements coordinate at a socially optimal equilibrium
- The World Trade Organization: framework, dispute resolution
 - From what historical context did it rise, and how has that influenced its structure?
 - What is the legality of certain trade policies?
 - How are trade regimes policed?
 - What legal recourse is available for complaints?

Reading List

Suggested Reading for trade concepts

- B. Yarbrough and R. Yarbrough. *The World Economy: Trade and Finance*. Thomson South-Western, 7th edition, 2006. ISBN 0-324-20397-7

Introduction to empirics and landscape of policy (9/4-9/18)

Required J. Frankel and D. Romer. Does trade cause growth? *The American Economic Review*, 89(3):379–399, 1999

In Class J. Brander and B. Spencer. Export subsidies and international market share rivalry. *Journal of International Economics*, 18:83–100, 1985

Required C. Bown and M. Crowley. The empirical landscape of trade policy. In K. Bagwell and R. Staiger, editors, *Handbook of Commercial Policy*, volume 1A, pages 3–108. North-Holland, Amsterdam, 2016

Effects of trade policy (9/20-10/4)

In Class A. Rose. Do we really know that the WTO increases trade? *The American Economic Review*, 94(1):98–114, 2004

Required K.-M. Yi. Can vertical specialization explain the growth of world trade? *Journal of Political Economy*, 111(1):52–102, 2003

Optional M. Tomz, J. Goldstein, and D. Rivers. Do we really know that the WTO increases trade? comment. *The American Economic Review*, 97(5):2005–2018, 2007

Optional A. Subramanian and S.-J. Wei. The WTO promotes trade, strongly but unevenly. *Journal of International Economics*, 72:151–175, 2007

Optional R. Johnson and G. Noguera. A portrait of trade in value-added over four decades. *The Review of Economics and Statistics*, 99:896–911, 2017

Optional C. Broda, J. Greenfield, and D. Weinstein. From groundnuts to globalization: A structural estimate of trade and growth. *NBER Working Paper No. 12512*, 2006

Optional P. Goldberg, A. Khandelwal, N. Pavcnik, and P. Topalova. Imported intermediate inputs and domestic product growth: Evidence from India. *The Quarterly Journal of Economics*, 125(4):1727–1767, 2010

Optional D. Rodrik. Imperfect competition, scale economies, and trade policy in developing countries. In R. E. Baldwin, editor, *Trade Policy Issues and Empirical Analysis*, pages 109–144. University of Chicago Press, 1988

Optional P. Goldberg and N. Pavcnik. The effects of the Colombian trade liberalization on urban poverty. In A. Harrison, editor, *Globalization and Poverty*, pages 241–290. University of Chicago Press, 2007

- Optional* P. Topalova. Factor immobility and regional impacts of trade liberalization: Evidence on poverty from India. *American Economic Journal: Applied Economics*, 2:1–41, 2010
- Optional* N. Pavcnik. The impact of trade on inequality in developing countries. Technical Report Working Paper 23878, NBER Working Paper Series, September 2017
- Optional* P. Goldberg and N. Pavcnik. The effects of trade policy. In K. Bagwell and R. Staiger, editors, *Handbook of Commercial Policy*, volume 1A, pages 161–206. North-Holland, Amsterdam, 2016

Purpose of a trade agreement (10/11-10/25)

- Required* D. Rodrik. What do trade agreements really do? *Journal of Economic Perspectives*, 32(2):73–90, 2018
- Required* E. Ornelas. Special and differential treatment for developing countries. In K. Bagwell and R. Staiger, editors, *Handbook of Commercial Policy*, volume 1B, pages 369–432. North-Holland, Amsterdam, 2016
- Optional* K. Bagwell and R. Staiger. An economic theory of GATT. *The American Economic Review*, 89(1):215–248, 1999
- Optional* W. Ethier. The trade-agreement embarrassment. *Journal of East Asian Economic Integration*, 17(3):243–260, 2013
- Optional* G. Maggi and A. Rodríguez-Clare. A political-economy theory of trade agreements. *The American Economic Review*, 97(4):1374–1406, 2007
- Optional* N. Limão and P. Tovar. Policy choice: Theory and evidence from commitment via international trade agreements. *Journal of International Economics*, 85(2):186–205, 2011
- Optional* G. Grossman. The purpose of trade agreements. In K. Bagwell and R. Staiger, editors, *Handbook of Commercial Policy*, volume 1A, pages 379–434. North-Holland, Amsterdam, 2016

The WTO (10/30-11/8)

- Required* R. Baldwin. The World Trade Organization and the future of multilateralism. *Journal of Economic Perspectives*, 30(1):95–116, 2016
- Optional* K. Bagwell and R. Staiger. Economic theory and the interpretation of GATT/WTO. *The American Economist*, 46:3–19, 2002

Protectionism (11/13-15)

- Required* J. Brander and P. Krugman. A ‘reciprocal dumping’ model of international trade. *Journal of International Economics*, 15:313–321, 1983
- Required* G. Grossman and E. Helpman. Protection for sale. *The American Economic Review*, 84(4):833–850, 1994

- Optional* P. Egger and D. Nelson. How bad is antidumping? Evidence from panel data. *The Review of Economics and Statistics*, 93(4):1374–1390, 2011
- Optional* H. Vandenbussche and M. Zanardi. The chilling trade effects of antidumping proliferation. *European Economic Review*, 54:760–777, 2010
- Optional* C. Taylor. The economic effects of withdrawn antidumping investigations: is there evidence of collusive settlements? *Journal of International Economics*, 62:295–312, 2004
- Optional* E. Hizon. The safeguard measure/ VER dilemma: The Jekyll and Hyde of trade protection. *Northwestern Journal of International Law and Business*, 15(105):105–138, 1995
- Optional* A. Sykes. The safeguards mess: A critique of WTO jurisprudence. U Chicago Law and Economics, Olin Working Paper No. 187, 2003
- Optional* A. Rutkowski. Withdrawals of anti-dumping complaints in the EU: A sign of collusion. *The World Economy*, 30(3):470–530, 2007

Enforcement and dispute settlement (11/27-12/6)

- Optional* J.-H. Park. Enforcement and dispute settlement. In K. Bagwell and R. Staiger, editors, *Handbook of Commercial Policy*, volume 1B, pages 3–66. North-Holland, Amsterdam, 2016