

THE POLITICAL ECONOMY OF INTERNATIONAL TRADE

Module Code: PP5241K

Module Coordinator: Dr. Razeen Sally

Semester: Semester 2, 2013/14

Faculty: Lee Kuan Yew School of Public Policy

Module Schedule: Thursdays, 2-5 pm, SR2-2

Course description and objectives

This course aims to provide graduate students with a broad grasp of the political economy of international trade – the economics of trade, the politics of trade policy, and key trade-policy issues in today's global economy.

The first part of the course examines the economic, political and legal principles on which the world trading system is based. It covers historical background on the free trade-versus-protectionism debate, the basic economics and politics of trade policy, and the evolution of the trading system from the founding of the GATT to the establishment of the WTO. The second part then addresses specific topics in trade policy, covering trade negotiations and current issues in the world trading system. Topics examined are: trade in goods; trade in services; trade remedies and subsidies; intellectual-property rights; foreign direct investment; trade and development; trade and standards (especially labour and environmental standards); bilateral and regional trade agreements; and the Doha Round, prospects for the WTO, and the future of the world trading system.

Prerequisites

None. However, previous background in international economics, international economic law, international relations or comparative politics would be helpful.

Seminar format

Seminars consist of lectures, class presentations and class discussion. Occasionally, outside speakers – practitioners and academic experts of trade policy – will join the seminar. Typically, a one-hour lecture is followed by one or two class presentations, followed in turn by class discussion. A presentation should last 10-15 minutes (if two are presenting in one session) or 20-30 minutes (if there is only one presenter). Ample time is given to class discussion, which should be genuinely interactive. It is important – and expected – that core readings for each topic are done before the seminar in order to facilitate productive discussion.

Assessment

Grading consists of one set examination at the end of the course, one analytical essay or policy paper, class presentations and class participation.

- A three-hour semi-open book examination (50%)
- An analytical essay or policy brief (maximum 3000 words) (30%)
- Class presentation (10%)
- Class discussion (10%)

Syllabus

Week 1. **Introduction and Course Overview** (Shopping Week)

Students may wish to consult the online lecture and readings below on political-economic and non-economic arguments pro and contra free trade. This ranges from the writings of the classical economists, and those of their mercantilist detractors, to twentieth-century debates on trade policy. This background will be referred to at the beginning of the session in Week 2.

Background reading

*Sally, Razeen (2013), Online lecture on international trade, *Brookings Global Civics Course* <http://www.youtube.com/watch?v=MORVwZcg1to>

*Sally, Razeen (2008), *Trade Policy, New Century: The WTO, FTAs and Asia Rising*, London: Institute of Economic Affairs. (The US edition is *New Frontiers in Free Trade*, Washington DC: Cato Institute). Chapter 2 <http://www.iea.org.uk/sites/default/files/publications/files/upldbook432pdf.pdf>

Irwin, Douglas (1996), *Against the Tide: An Intellectual History of Free Trade*, Princeton University Press. Part One and Conclusion

Week 2: **Economics of Trade**

A basic grasp of trade economics, including an assessment of who gains and who loses from this-or-that policy, is essential to understanding the political motives and consequences of trade policy. This session covers comparative advantage theory and the main theoretical arguments for protection (optimal tariffs, infant industries and strategic trade policy). It also covers recent developments in trade theory.

Discussion topics

- Discuss the original Ricardian principle of comparative advantage. What are its strengths and weaknesses?

- Discuss the Heckscher-Ohlin and Stolper-Samuelson models. How valid are they? What are their limits?
- What is optimal tariff protection and is it viable in today's world economy?
- What is infant-industry protection and is it viable in today's world economy?
- What is strategic trade policy and is it viable in today's world economy?

Core reading

*Cowen, Tyler and Tabarrok, Alex (2013), International Trade online course, MRUniversity, especially sections 1,2,3 (of 8 sections) <http://mruniversity.com/courses/international-trade>

*Feenstra, Robert and Taylor, Alan (2012), *International Economics: International Trade*, Worth, chapters 2&4

*Hoekman, Bernard and Kostecki, Michal (2009), *The Political Economy of the World Trading System*, 3rd edition, Oxford University Press, "The economics of trade policy – basic concepts", Annex 2, pp. 676-699

Background reading

Bhagwati, Jagdish (2002), *Free Trade Today*, Princeton University Press (first two lectures)

Irwin, *Against the Tide*, ch. 6 and Part Two

Feenstra and Taylor, chs. 5,6,7

Corden, Max (1997), *Trade Policy and Economic Welfare*, Oxford University Press, chs. 5,6,8,10,14

Rodrik, Dani (2013), "Why doesn't everyone get the case for free trade?" in *The Globalisation Paradox*, Oxford University Press, ch. 3, pp. 47-66

Krugman, Paul (1987), "Is free trade passé?" *Journal of Economic Perspectives*, Fall <http://dipeco.economia.unimib.it/Persone/Gilli/food%20for%20thinking/simile%20general%20readings%20on%20economics/Is%20Free%20Trade%20Passe.pdf>

Week 3: **Politics of Trade**

"Hegemonic stability" theorists argue that international political and economic power is the crucial determinant of trade policy. Domestic-politics explanations emphasise the role of interest groups, whose positions are determined by a country's relative "factor endowments". Yet others focus on the role of ideas and institutions. This session compares international-level and domestic-level, political and economic, approaches to the study of trade policy.

Discussion topics

- Does a stable and open trading system depend on the exercise of hegemonic power? Or is the current trading system governed by “post-hegemonic cooperation” in “international regimes”?
- How do factor endowments and interest groups influence trade policy?
- How do institutions influence trade policy?
- What role do ideas play in trade policy?

Core reading

- *Krasner, Stephen (1976), “State power and the structure of international trade”, *World Politics*, pp. 317-347 <http://www.indiana.edu/~gradipe/docs/krasner.pdf>
- *Rogowski, Ronald (1987), “Political cleavages and changing exposure to trade”, *American Political Science Review* 81,4, pp. 1121-1137 <http://www.indiana.edu/~gradipe/docs/rogowski.pdf>
- *Kenneth Heydon (2012), “The political economy of international trade”, in Kenneth Heydon and Stephen Woolcock eds., *The Ashgate Research Companion to International Trade Policy*, Ashgate, 2012, pp. 29-46

Background reading

- Frey, Bruno (1984), “The public choice view of international political economy”, *International Organisation* 38, Winter
- Goldstein, Judith (1998), “International institutions and domestic politics: GATT, WTO and the liberalisation of international trade”, in Anne Krueger (ed.), *The WTO as an International Organisation*, University of Chicago Press
- Gowa, Joanne (1994), *Allies, Adversaries and International Trade*, Princeton University Press
- Rogowski, Ronald (1989), *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*, Princeton University Press
- Bhagwati, *Free Trade Today* (last lecture)

Week 4: Post-war evolution of the GATT and the institutional framework of the WTO

The first part of this session covers the founding of the General Agreement on Tariffs and Trade, and the subsequent evolution of the post-war multilateral trading system through successive rounds of trade negotiations, culminating in the Uruguay Round Agreements. The second part focuses on the World Trade Organisation – its legal basis, and its structure and coverage. The final part covers the chief innovation of the WTO, its dispute-settlement mechanism.

Discussion topics

- What are the main principles and functions of the WTO? Do they represent continuity or departure from the principles and functioning of the GATT?
- How does WTO dispute settlement work? Has it successfully brought the rule of law to international trade? Or is it a case of legal overreach?

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, chs. 1-4, especially chs. 2&3

*Stephen Woolcock (2012), "The evolution of the international trading system", in *The Ashgate Companion to International Trade Policy*, pp. 47-63

*Sally, Razeen (2008), *Trade Policy, New Century*, ch. 4 <http://www.iea.org.uk/sites/default/files/publications/files/upldbook432pdf.pdf>

Background reading

WTO (2011), *Understanding the WTO*, chs. 1,3,7 http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf

John Jackson and Steve Charnovitz, "The structure and function of the WTO", in *The Ashgate Research Companion to International Trade Policy*, pp. 387-403

Messerlin, Patrick (2004), "Three variations on the future of the WTO", *Journal of International Economic Law* 8,2, pp. 299-309

Hudec, Robert (2002), "Free trade, sovereignty, democracy: the future of the WTO", review article, *World Trade Review* 1,2, pp. 211-222

Hocking, Brian (2004), "Changing the terms of trade policy-making: from the 'club' to the 'multistakeholder' model", *World Trade Review* 3,1, pp. 3-26

Rodrik, Dani (2011), *The Globalisation Paradox*, Oxford University Press, ch. 4: "Bretton Woods, GATT and the WTO: trade in a politicised world", pp. 67-88

Abbott, Roderick (2007), "Are developing countries deterred from using the WTO dispute-settlement system?", *ECIPE Working Paper* 1 http://www.ecipe.org/media/publication_pdfs/are-developing-countries-deterred-from-using-the-wto-dispute-settlement-system.pdf

Week 5: **Trade in Goods**

This session covers trade, and trade negotiations, in industrial goods and agriculture. Trade and foreign direct investment in industrial goods is the most integrated part of the global economy – the linchpin of economic globalisation. But major pockets of protection remain, despite massive liberalisation from the 1950s. Tariffs remain a key issue in trade policy, especially in developing countries. And there are higher non-tariff and regulatory barriers to trade in both developed and developing countries. Protectionism in agriculture is much

higher than it is in industrial goods, and it is at the centre of WTO negotiations. Efforts to reintegrate agriculture into the multilateral trade regime have met with only partial success.

Discussion topics

- Are industrial tariffs still important? How do they compare with non-tariff barriers as obstacles to international trade in manufactures?
- Explain formula approaches to tariff reductions with reference to successive GATT/WTO rounds. Have they been fair?
- How can one explain the slow pace of reform in agricultural trade policies?
- Compare the issues and negotiating dynamics of agriculture in the Uruguay and Doha rounds.

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, chs. 5 & 6.1

**The Ashgate Research Companion to International Trade Policy* (2012), chs. 4,5 &8

Background reading

WTO (2011), *Understanding the WTO*, chs. 2&5 (sections on industrial goods and agriculture) http://www.wto.org/english/thewto_e/whatis_e/tif_e/understandi ng_e.pdf

Findlay, Ronald and O'Rourke, Kevin (2007), *Power and Plenty: Trade and War in the Second Millennium*, Princeton University Press, chs. 9&10

Francois, Joseph and Martin, Will (2003), "Formula approaches for market-access negotiations", *The World Economy* 26,1

Rivoli, Pietra (2006), *The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power and Politics of World Trade*, Wiley

Wolf, Martin (2004), *Why Globalisation Works*, Yale University Press, ch. 10

Week 6: **Trade in Services**

As services have assumed a major role in most economies there has been pressure to include trade in services in multilateral trade rules, and increasingly in bilateral and regional trade agreements as well. This was partially achieved in the Uruguay Round through the General Agreement on Trade in Services. But liberalising trade in services through the GATS, and even in RTAs, poses major challenges. Barriers to trade and investment in services are more complex, and often more politically sensitive, than they are in goods.

Discussion topics

- Explain the GATS. Why is it a “half-empty glass”?
- What are the stakes for developed and developing countries in liberalising trade in services?
- How effective are RTAs in liberalising trade in services?

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, ch. 7

*Christopher Roberts and Kenneth Heydon (2012), “Trade in services”, in *The Ashgate Research Companion to International Trade Policy*, pp. 167-185

Background reading

Hoekman, Bernard (2006), “Liberalising trade in services: a survey”, *World Bank Policy Research Paper* 4030

http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/10/06/000016406_20061006151055/Rendered/PDF/wps4030.pdf

Heydon, Kenneth and Woolcock, Stephen (2009), *The Rise of Bilateralism: American, European and Asian Approaches to Preferential Trade Agreements*, United Nations University Press, Part II, ch. 4 (services and investment)

Mattoo, Aditya (2005), “Services in a development round: three goals and three proposals”, *Journal of World Trade* 6, 1223

Stephenson, Sherry (2002), “Regional vs. multilateral liberalisation of services”, *World Trade Review* 1,2, pp. 187-209

WTO (2012), *World Trade Report 2012: Trade and Public Policies – A Closer Look at Non-Tariff Measures in the 21st Century* http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report12_e.pdf

WTO (2011), *Understanding the WTO*, chs. 2&5 (sections on services) http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf

Week 7: Trade Remedies and Subsidies

Governments rarely agree to liberalise trade without ensuring that there is some emergency measure that can be taken when liberalisation has unexpected or dramatic consequences. Antidumping and countervailing duties are used to provide a form of compensation should trading partners not trade “fairly”. And safeguards are used to provide a breathing space for domestic producers facing a surge in imports. But how can trade rules ensure that these instruments are not

abused as a form of protection? Finally, this session covers WTO rules on what constitutes “fair” and “unfair” subsidies.

Discussion topics

- What are multilateral rules on safeguards and what factors have shaped their use?
- What are multilateral rules on antidumping? Why are antidumping actions used and when are they abused?
- What are multilateral rules on countervailing duties? How else does the WTO discipline the use of subsidies?

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, chs. 5.5 & 9

*Patrick Messerlin and Stephen Woolcock (2012), “Commercial instruments”, in *The Ashgate Research Companion to International Trade Policy*, pp. 107-126

Background reading

WTO (2009), *World Trade Report 2009: Trade-Policy Commitments and Contingency*

Measures http://www.wto.org/english/ress e/booksp e/anrep e/world trade report09_e.pdf

World Bank, *Temporary Trade Barriers Database* <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTTRADERESEARHC/0,,contentMDK:22561572~pagePK:64168182~piPK:64168060~theSitePK:544849,00.html>

Feinberg, R. and Reynolds, K (2007), “Tariff liberalisation and increased administrative protection: is there a *quid pro quo*?” *The World Economy* 30,6

Hindley, Brian (2007), “Antidumping policy in the EU”, *ECIPE Policy Brief* 3 http://www.ecipe.org/media/publication_pdfs/antidumping-policy-in-the-eu.pdf

Hoda, Anwarul (2005), “The agreement on subsidies and countervailing measures: need for clarification and improvement”, *Journal of World Trade* 6

Kerr, W.A. and Loppacher, L.J. (2004), “Antidumping in the Doha negotiations: fairy tales at the WTO”, *Journal of World Trade* 38,2, pp. 211-244

WTO (2011), *Understanding the WTO*, chs. 2&5 (sections on trade remedies and subsidies) http://www.wto.org/english/thewto e/whatis e/tif e/understanding_e.pdf

Week 8: **Trade-Related Intellectual Property Rights**

Intellectual-property rights aim to promote innovation, especially investment in research and development into new products. But they can restrict competition,

at least in the short-term. Patents, in particular, are “temporary monopolies”. Many, perhaps most, developing countries are concerned that TRIPS restricts access to technology and essential medicines. What balance needs to be struck between these objectives? Does TRIPS belong in the WTO, and how has it dealt with that balance? Is it right to have “TRIPS-plus” provisions in RTAs?

Discussion topics

- Who were the winners and losers, and what were the costs and benefits, of the TRIPS agreement at the end of the Uruguay Round?
- How has TRIPS been dealt with in the Doha Round?
- How have TRIPS-plus issues been pursued in RTAs?

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, ch. 8

*Meir Pugatch (2012), “Intellectual property rights and trade”, in *The Ashgate Research Companion to International Trade Policy*, pp. 291-305

Background reading

Shadlen, Kenneth (2005), “Policy space for development in the WTO and beyond: the case of intellectual-property rights”, *Global Development and Environment Institute Working Paper 05-06*, Tufts University, November <http://www.ase.tufts.edu/gdae/Pubs/wp/05-06PolicySpace.pdf>

Maskus, Keith (2000), *Intellectual Property Rights in the Global Economy*, Peterson Institute for International Economics <http://bookstore.piie.com/bookstore/99.html>

UNCTAD-ICTSD, “Intellectual property rights: implications for development”, *Policy Discussion Paper* <http://ictsd.org/i/publications/11531/?view=document>

Drahos, Peter and Braithwaite, J. (2002), *Information Feudalism: Who Owns the Knowledge Economy?* New Press

WTO (2011), *Understanding the WTO*, chs. 2&5 (sections on TRIPS) http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf

Week 9: **Trade and Standards**

As border barriers have come down, non-tariff and regulatory barriers to trade have become more visible sources of international tensions and conflict. Standards-related issues, particularly environmental and labour standards, have come to the fore. Typically, developed countries have environmental regulations with high costs of compliance. But this may undermine their industries in international competition. Hence the temptation to use trade instruments to “level the international playing field”. Developed-country governments also face

pressure to penalise foreign methods of production that are regarded as environmentally unsound. Now, trade policy is increasingly linked to the climate-change agenda. Turning to labour standards, there is pressure from organised labour and other constituencies in developed countries to integrate minimum labour standards into the WTO and RTAs. Many developing-country constituencies feel that this, like a developed-country environmental-standards agenda, is backdoor protectionism; the higher costs imposed might undermine their comparative advantage.

Discussion topics

- What are the arguments for and against the use of trade instruments in pursuit of environmental objectives?
- What are the links between trade policy and the climate-change agenda? Is there a case for “carbon tariffs”?
- Is there a case for a “social clause” in the WTO? How would that improve on ILO core labour standards?

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, chs. 5.7 & 13 (pp. 582-587, 613-637)

**The Ashgate Research Companion to International Trade Policy* (2012), chs. 13, 14, 15

Background reading

WTO (2012), *World Trade Report 2012: Trade and Public Policies – A Closer Look at Non-Tariff Measures in the 21st Century* http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report12_e.pdf

Bhagwati, Jagdish and Hudec, Robert (eds.) (1996), *Fair Trade and Harmonisation*, OUP, Vol 1: Economic Analysis (chs. 1,4,5), Vol. 2: Legal Analysis (chs. 1-5)

WTO-UNEP (2009), *Trade and Climate Change* http://www.wto.org/english/res_e/booksp_e/trade_climate_change_e.pdf

Najam, A., Halle, M and Melendez-Ortiz, R. (eds.) (2007), *Trade and Environment: A Resource Book*, ICTSD, Geneva http://ictsd.org/downloads/2008/05/rb_fulltext.pdf

Granger, C. and Siroen, J-M. (2006), “Core labour standards in trade agreements: from multilateralism to bilateralism”, *Journal of World Trade* 5

Suranovic. Steve (2002), “International labour and environmental standards agreements: is this fair trade?” *The World Economy* 25,2, pp. 231-245

WTO (2011), *Understanding the WTO*, chs. 4&5 (sections on labour and environmental

standards) http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf

Week 10: **Foreign Direct Investment**

With FDI growing faster than trade, and with the expansion of vertically-integrated global supply chains, trade and investment are increasingly seen as complements rather than substitutes. This changed appreciation has brought trade policy and investment policy closer together. It is also reflected in the increasing importance of bilateral investment treaties (BITs) and investment provisions in RTAs, both filling a vacuum left by the absence of a multilateral agreement on investment.

Discussion topics

- How has the massive increase in FDI since the 1980s affected international trade and trade policy?
- Examine arguments for and against an investment agreement in the WTO.
- Examine the evolution of BITs and investment provisions in RTAs. What implications do they have for developing countries?

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, chs. 5.9 & 13.2

*Sebastien Miroudot (2012), "Trade and investment", in *The Ashgate Research Companion to International Trade Policy*, pp. 209-224

*World Economic Forum (2013), *Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment* http://www3.weforum.org/docs/GAC13/WEF_GAC_GlobalTradeFDI_FDIKeyDriver_Report_2013.pdf

Background reading

Heydon, Kenneth and Woolcock, Stephen (2009), *The Rise of Bilateralism: American, European and Asian Approaches to Preferential Trade Agreements*, United Nations University Press, Part II, ch. 4 (services and investment)

UNCTAD (2004), *International Investment Agreements: Key Issues* Vol 1, ch. 1 http://unctad.org/en/Docs/iteiit200410_en.pdf

Woolcock, Stephen (2007), "Multi-level Economic Diplomacy: The Case of Investment", in N. Bayne and S. Woolcock (eds.), *The New Economic Diplomacy*, 2nd edition, Ashgate

UNCTAD World Investment Report (various issues)

Moran, T.H., Graham, E.M. and Blomstrom, M. (2005), *Does Foreign Direct Investment Promote Development?* Washington DC: Peterson Institute for International Economics and Center for Global Development

Henderson, David (1999), *The MAI Affair: A Story and its Lessons*. Royal Institute of International Affairs, London

WTO (2011), *Understanding the WTO*, chs. 4&5 (sections on investment) http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf

Week 11: **Trade and Development**

The link between trade and development remains contentious. By the 1970s and '80s, a semi-consensus favoured open trade and investment policies to promote growth and development. "Outward-orientation" replaced a development consensus of "export pessimism" and "import substitution". But, more recently, sceptics have become more vocal in questioning the growth and development effects of substantial external opening. This raises the issue of the extent to which trade can be an instrument of development. These debates are reflected in the treatment of development issues in the GATT/WTO, not least in the changing fortunes of "special and differential treatment".

Discussion topics

- Discuss rival perspectives on the links between open trade regimes, growth and development.
- How is development addressed in the WTO and how has it changed since the founding of the GATT? Focus on the evolution of Special and Differential Treatment.

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, ch. 12

*Sally, Razeen (2008), *Trade Policy, New Century*, chs. 3&6 <http://www.iea.org.uk/sites/default/files/publications/files/upldbook432.pdf.pdf>

*Wade, Robert (2003), "What strategies are viable for developing countries today? The WTO and the shrinkage of development space", *Review of International Political Economy* 10,4, pp. 621-644 <http://eprints.lse.ac.uk/28239/1/WP31RW.pdf>

Background reading

Narlikar, Amrita (2006), "Fairness in international trade negotiations: developing countries in the GATT and WTO", *The World Economy* 29,8, pp. 1005-1029

Panagariya, Arvind (2004), "Miracles and debacles: in defence of openness", *The World Economy* 27,8, pp. 1149-1171

Michalopoulos, Constantine (2001), *Developing Countries and the WTO*, Palgrave

The Ashgate Research Companion to International Trade Policy (2012), chs. 17, 18, 19, 20

Chang, Ha-Joon (2002), *Kicking Away the Ladder? Development Strategy in Historical Perspective*, Anthem Books

Chang, Ha-Joon (2007), *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*, Random House

Hoekman, Bernard, Mattoo, Aditya and English, Philip (eds.) (2003), *Development, Trade and the WTO: A Handbook*, World Bank

Rodrik, Dani (2011), *The Globalisation Paradox*, Oxford University Press, ch. 7: "Poor countries in a rich world", pp. 135-158, and ch. 8: "Trade fundamentalism in the tropics", pp. 159-183

Rodrik, Dani (2006), *One Economics, Many Recipes: Globalisation, Institutions and Growth*, Princeton University Press

Wolf, Martin (2004), *Why Globalisation Works*, chs. 9&10

WTO (2011), *Understanding the WTO*, ch. 6 http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf

Week 12: **Bilateral and Regional Trade Agreements**

The proliferation of mostly bilateral trade agreements, and the increasing number of regional trade initiatives, raises the issue of the costs and benefits of preferential (i.e. discriminatory) arrangements. Now "mega-regional" trade agreements are being negotiated. What does economic theory tell us on the matter? What is the evidence? What are the political factors behind RTAs? And what is the relationship between them and the multilateral trading system?

Discussion Topics

- What does trade theory tell us about the costs and benefits of RTAs? How does this match with the real-world evidence? Are they "building blocs" or "stumbling blocs" to global free trade?
- What are the political factors that shape RTAs?
- Discuss the origins, nature and objectives of one RTA.

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, ch. 10

*Sally, Razeen (2008), *Trade Policy, New Century*, ch. 5 <http://www.iea.org.uk/sites/default/files/publications/files/upldbook432pdf.pdf>

*Mark Manger (2012), "Preferential agreements and multilateralism", in *The Ashgate Research Companion to International Trade Policy*, pp. 405-419

Background reading

WTO (2011), *World Trade Report 2011: The WTO and Preferential Trade Agreements – From Coexistence to Coherence* http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report11_e.pdf

Heydon and Woolcock (2010), *The Rise of Bilateralism*, chs. 1&12

Crawford, Jo-Ann and Fiorentino, Roberto (2005), “The changing landscape of RTAs”, *WTO Discussion Paper* 8 http://www.wto.org/english/res_e/booksp_e/discussion_papers8_e.pdf

Bhagwati, Jagdish (2008), *Termites in the Trading System: How Preferential Arrangements Undermine Free Trade*, New York: Council on Foreign Relations

Lucian Cernat (2013), “TPP, TTIP and multilateralism: stepping stones or oceans apart?” *VoxEU*, 8th November <http://www.voxeu.org/article/bilateral-renaissance-or-multilateralism>

Baldwin, Richard (2011), “Twenty-first century regionalism: filling the gap between twenty-first century trade and twentieth-century trade rules”, *WTO Staff Working Paper* http://wto.org/english/res_e/reser_e/ersd201108_e.pdf

Sally, Razeen (2010), “Regional economic integration in Asia: the track record and prospects”, *ECIPE Occasional Paper* 2 http://www.ecipe.org/media/publication_pdfs/regional-economic-integration-in-asia-the-track-record-and-prospects.pdf

Week 13: The Doha Round, Prospects for the WTO, and the Future of the World Trading System

The Doha Round was launched at the end of 2001 to deal with “unfinished business” left by the Uruguay Round as well as to take the WTO in new directions. But it soon stalled and languished for over a decade. What has changed in the WTO since the end of the Uruguay Round? What are its prospects? This session also covers wider trade-policy developments in the wake of the global economic crisis of 2008/9. During the crisis, trade contracted more than at anytime since the 1930s – but the world did not hurtle into 1930s-style protectionism. At the same time, there has been a shift of economic power from an anaemic West to booming emerging markets, particularly in Asia. Finally, global production networks and supply chains have become ever more complex. Many products are now “made in the world” and no longer “made in one country”. What do these trends bode for the future of the world trading system?

Discussion topics

- Why has the Doha Round failed to deliver? Does it matter?
- Is there a future for the WTO?
- Identify and assess key trade-policy developments after the global economic crisis. What do they tell us about the future of the world trading

system?

Core reading

*Hoekman and Kostecki (2009), *The Political Economy of the World Trading System*, ch. 15

*Kenneth Heydon and Stephen Woolcock (2012), "Trends in trade policy and challenges ahead", in *The Ashgate Research Companion to International Trade Policy*, pp. 521-537

*Sally, Razeen (2011), "The crisis and the global economy: a shifting world order?" *ECIPE Occasional Paper* 3 http://www.ecipe.org/media/publication_pdfs/the-crisis-and-the-global-economy-a-shifting-world-order.pdf

Background reading

WTO (2013), *World Trade Report 2013: Factors Shaping the Future of World Trade* http://www.wto.org/english/res_e/booksp_e/world_trade_report13_e.pdf

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