

## **TRADE POLICY AND GLOBAL VALUE CHAINS**

Module Code: PP5180

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Semester: Semester 1, 2016/17

Faculty: Lee Kuan Yew School of Public Policy

Module Schedule: Tuesdays, 2-5 pm, SR 2-1

### **Course description and objectives**

The course links trade policy to global value chains (GVCs), which are the driving forces of 21<sup>st</sup>-century international trade. It aims to provide students with a working knowledge of how trade policy and GVCs interact – through foundational knowledge of both trade policy and GVCs, and through the application of specific policy issues to the way GVCs work in practice. It does this by bringing together political economy and business perspectives, the latter with an emphasis on strategic planning and risk management.

The first three sessions cover the basics of both trade policy and GVCs. Then follow sessions on the World Trade Organization and how WTO rules apply to GVCs; on free trade agreements (FTAs), bilateral investment treaties (BITs), free trade zones (FTZs) and GVCs; on national and regional dimensions of GVCs; and on the future of trade policy and GVCs. The last two sessions will be devoted to group assignments and revision.

### **Prerequisites**

None.

### **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. There will be group assignments on selected topics, which will be presented in class towards the end of the semester.

## Assessment

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

- A three-hour semi-open book examination (40%)
- An analytical essay or policy brief (maximum 3000 words) (30%)
- Group assignment (10%)
- Class presentation (10%)
- Class discussion (10%)

## Syllabus

Week 1. **Introduction and Course Overview** (Shopping Week) (RS/AC)

Week 2. **What is Trade Policy? What are Global Value Chains?** (RS/AC)

A few decades ago, trade policy focused on barriers at national borders to international trade in goods. Now trade policy covers behind-the-border barriers that go deep into domestic regulation, and it encompasses trade in services, intellectual property rights and foreign direct investment. It is also “multi-track”, taking place unilaterally, in free trade agreements (FTAs), bilateral investment treaties (BITs) and the World Trade Organization (WTO). Today, non-Western countries are much more engaged in trade negotiations and trade agreements. Up to the 1970s and '80s, products were made mostly in one country and exported. Since then, production has fragmented, with different parts of the value chain located in different countries, and brought together through complex logistics to serve global markets. Meanwhile, the digital technology revolution continues to disrupt and transform GVCs by lowering barriers to entry, increasing transparency and facilitating collaborative networks. This is the world of global value chains (GVCs), which has transformed trade policy.

### Discussion topics

- How has trade policy changed from the late 20<sup>th</sup> century to the early 21<sup>st</sup> century?
- What are global value chains? How do they differ from previous forms of production to serve global markets?

### Core reading

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

\*Hoekman, B. and Kostecky, M. (2009), *The Political Economy of the World Trading System*, 3<sup>rd</sup> edition, Oxford University Press, ch. 1 “The trading system in perspective” (IVLE)

\*Baldwin, R. (2012), “Global supply chains: why they emerged, why they matter and where they are going”, *CTEI Papers*, Geneva, Graduate Institute [http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/working\\_papers/CTEI-2012-13.pdf](http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/working_papers/CTEI-2012-13.pdf)

### Background reading

OECD/WTO/World Bank (2014), *Global Value Chains: Challenges, Opportunities and Implications for Policy* [http://www.oecd.org/tad/gvc\\_report\\_g20\\_july\\_2014.pdf](http://www.oecd.org/tad/gvc_report_g20_july_2014.pdf)

WTO (2014), *World Trade Report*, “The rise of global value chains” [https://www.wto.org/english/res\\_e/booksp\\_e/wtr14-2c\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/wtr14-2c_e.pdf)

Gereffi, G. and Fernandez-Stark, F. (2011), *Global Value Chain Analysis: A Primer* [http://www.cggc.duke.edu/pdfs/2011-05-31\\_GVC\\_analysis\\_a\\_primer.pdf](http://www.cggc.duke.edu/pdfs/2011-05-31_GVC_analysis_a_primer.pdf)

World Economic Forum (2012), *The Shifting Geography of Global Value Chains: Implications for Developing Countries*

[http://www3.weforum.org/docs/WEF\\_GAC\\_GlobalTradeSystem\\_Report\\_2012.pdf](http://www3.weforum.org/docs/WEF_GAC_GlobalTradeSystem_Report_2012.pdf)

Elms, D. and Low, P. eds. (2013), *Global Value Chains in a Changing World*, WTO/Fung Global Institute/Temasek Foundation Centre for Trade Negotiations,

<https://www.wto.org/english/ress e/booksp e/aid4tradeglobalvalue13 e.pdf>

### Week 3. The Economics and Politics of International Trade (RS)

Trade economics centres on an assessment of who gains and who loses from this-or-that policy. This session covers comparative advantage theory, the main theoretical arguments for protection (optimal tariffs, infant industries and strategic trade policy), and “trade in tasks” (which relates directly to GVCs). Trade politics revolves around explanations at the level of the international system and in domestic politics. System-level explanations emphasise state power and international cooperation. Domestic-level explanations emphasise interest groups, ideas and institutions. All these factors play into trade negotiations and trade agreements.

#### Discussion topics

- What are the strengths and weaknesses of comparative advantage theory? How does “trade in tasks” differ from traditional comparative advantage?
- Choose one theory of protection (e.g. optimal tariffs, infant industries or strategic trade policy) and assess its strengths and weaknesses.
- 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”?
- Choose one theory of domestic politics (e.g. interest groups, ideas or institutions) and show how it influences trade policy.

#### Core reading

\*Cowen, T. and Tabarrok, A. (2013), International Trade online course, *MRUniversity*, especially section 1 (of 8 sections) <http://mruniversity.com/courses/international-trade>

\*Heydon, K. (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 (IVLE)

\*Hoekman, B. and Kostecky, M. (2009), *The Political Economy of the World Trading System*, ch. 4 (“Negotiating forum”), pp. 131-183 (IVLE)

#### Background reading

Hoekman and Kostecky, Michal (2009), *The Political Economy of the World Trading System*, “The economics of trade policy – basic concepts”, Annex 2, pp. 676-699 (NUS Lib: [HF1359 Hoe 2009](#))

Bhagwati, J. (2002), *Free Trade Today*, Princeton University Press (NUS Lib: [HF1713 Bha](#))

Irwin, D. (1996), *Against the Tide: An Intellectual History of Free Trade*, Princeton University Press (NUS Lib: [Hf 1713 Irw](#))

Krasner, S. (1976), “State power and the structure of international trade”, *World Politics*, pp. 317-347 <http://www.indiana.edu/~gradipe/docs/krasner.pdf>

Rogowski, R. (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>

Rodrik, D. (2013), “Why doesn’t everyone get the case for free trade?” in *The Globalisation Paradox*, Oxford University Press, ch. 3, pp. 47-66 (NUS Lib: [HF1418.5 Rod 2011](#))

Krugman, P. (1987), "Is free trade passé?" *Journal of Economic Perspectives*, Fall  
[http://www.unite.it/UniTE/Engine/RAServeFile.php/f/File\\_Prof/MELICIANI\\_1794/Is\\_Free\\_Trade\\_Passe.pdf](http://www.unite.it/UniTE/Engine/RAServeFile.php/f/File_Prof/MELICIANI_1794/Is_Free_Trade_Passe.pdf)

## Week 4. Trends in GVCs (AC)

Business enterprises engineer their value chains to achieve competitive advantage. Since the late 1990's and early 2000's, multinational enterprises (MNEs) have found themselves in a rapidly changing environment, where their GVCs are constantly at risk of being disrupted. Traditional "Off-Shore" production models are giving way to localised and customised value chains; the "platform economy" is turning traditional competitive advantages into liabilities; MNEs, once the dominant players of GVCs, are increasingly being challenged by more agile SMEs. GVCs are being transformed from supply-driven (linear) value chains to omni-channel, demand-driven "ecosystems."

### Discussion Topics

- How has the so-called "Platform Economy" changed the dynamics of GVCs? Discuss why an "asset-heavy" enterprise might have to shift to more of a mixed or "virtual asset" model.
- Has the digitisation of GVCs altered the competitive landscape for small and medium size enterprises (SMEs)?
- How has the phenomenon of urbanisation impacted strategic thinking around global value chains and ecosystems? What role do "smart cities" or "smart-clusters" play in GVCs?

### Core Reference Reading

-Wall Street Journal, Feb. 12, 2016. "The Rise of the Platform Economy."

<http://blogs.wsj.com/cio/2016/02/12/the-rise-of-the-platform-economy/> (IVLE)

Bloomberg.com: June 23, 2016, "GE Finance Chief Sees Digital Growth Accelerating Past 2020"

<http://www.bloomberg.com/news/articles/2016-06-23/ge-lifts-veil-on-silicon-valley-plan-as-digital-push-accelerates> (IVLE)

## Week 5. The WTO (RS)

This session begins briefly with the GATT, and successive rounds of trade negotiations culminating in the Uruguay Round Agreements. Then it focuses on the WTO – its structure, coverage (trade in goods, trade in services, trade remedies and subsidies, foreign investment, intellectual property rights, trade and development, and standards-related issues) and legal basis (especially dispute settlement). The next part covers the Doha Round and the WTO's state of play. This raises the question of the WTO's relevance to GVCs.

### 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?
- Choose one area of trade policy (e.g. trade in goods, trade in services, trade remedies and subsidies, foreign investment, intellectual property rights, trade and development, or trade and standards) and assess how it is covered by WTO rules.
- What is the future of the WTO after the failure of the Doha Round? How relevant is it to GVCs?

### Core reading

\*Hoekman, B. and Kostecki, M. (2009), *The Political Economy of the World Trading System*, chs. 2, 3 (IVLE)

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

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

### Background reading

Hoekman, B. and Kostecki, M. (2009), *The Political Economy of the World Trading System*, chs. 5-14 (individual chapters on specific trade issues) (NUS Lib: [HF1359 Hoe 2009](#))

WTO (2015), *Understanding the WTO*

[https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/understanding\\_e.pdf](https://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf)

Heydon, K. and Woolcock, S. eds. (2012), *The Ashgate Companion to International Trade Policy*, chs. 4-27 on individual trade issues (NUS Lib: [HF1379 Ash 2012](#))

Baldwin, R. (2015), "The World Trade Organisation and the future of multilateralism", *CTEI Working Paper*

[http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/working\\_papers/CTEI\\_2015-09-Baldwin.pdf](http://graduateinstitute.ch/files/live/sites/iheid/files/sites/ctei/shared/CTEI/working_papers/CTEI_2015-09-Baldwin.pdf)

WTO (2012), *World Trade Report 2012: Trade and Public Policies – A Closer Look at Non-Tariff Measures in the 21<sup>st</sup> Century*

[http://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/world\\_trade\\_report12\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report12_e.pdf)

WTO (2009), *World Trade Report 2009: Trade-Policy Commitments and Contingency Measures* [http://www.wto.org/english/res\\_e/booksp\\_e/anrep\\_e/world\\_trade\\_report09\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report09_e.pdf)

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](http://www3.weforum.org/docs/GAC13/WEF_GAC_GlobalTradeFDI_FDIKeyDriver_Report_2013.pdf)

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](http://www.wto.org/english/res_e/booksp_e/world_trade_report13_e.pdf)

WTO (2014), *World Trade Report 2014: Trade and Development – Recent Trends and the Role of the WTO* [https://www.wto.org/english/res\\_e/booksp\\_e/world\\_trade\\_report14\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/world_trade_report14_e.pdf)

## Week 6. **WTO, WCO, OECD AND GVCs** (AC)

This lecture explores how rules-based frameworks from the World Trade Organization (WTO), the World Customs Organization (WCO), and the Organization for Economic Cooperation and Development (OECD) influence GVCs. To achieve competitive advantage, trans-national businesses must devise strategies that take into account customs valuation strategies (WTO Article VII) and harmonised tariff classification schemes (WCO). These activities must reduce costs and achieve regulatory compliance. International business models must take into account complex tax structures and a mix of official rules and regulations which often result in supply chain delays, administrative red tape and a frustrating assortment of other non-tariff barriers.

### Discussion Topics

- How does the strategy of cross-border “tariff engineering” affect GVCs, specifically regarding how and where materials, components and finished goods are sourced and produced?
- Why is a company's transparency throughout its global value chain so important for optimising savings around customs valuation? What role does technology play?
- What is the difference between a non-tariff measure (NTM) and a non-tariff barrier (NTB)? What are some of the ways governments NGOs and non-state actors are tackling this problem?
- Today, inter-company sales between the related parties of MNEs still constitute the majority of international trade. These transactions allow MNEs to benefit from the practice of “transfer-pricing” which confers huge tax saving advantages throughout GVCs. Is this practice likely to continue? What trends might prove to be an obstacle to aggressive transfer pricing?

### Core Reference Reading

Case Study- “Renault’s Logan Car: Managing Customs Duties for a Global Product.”

WordPress/Stanford Case Study- (IVLE)

<https://sts2354group1.files.wordpress.com/2010/04/renaults-global-product.pdf>

WTO: Technical Information on Customs Valuation

[https://www.wto.org/english/tratop\\_e/cusval\\_e/cusval\\_info\\_e.htm](https://www.wto.org/english/tratop_e/cusval_e/cusval_info_e.htm)

WCO: “What is the Harmonized System?”

<http://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx>

## Week 7. **FTAs and BITs** (RS)

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 FTAs? What is the relationship between them and the multilateral trading system? And what effect do FTAs have on GVCs? This session also covers 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

- In terms of trade theory and evidence, are FTAs “building blocs” or “stumbling blocs” to global free trade? Are they good or bad for GVCs?
- Discuss the origins, nature and objectives of one mega-regional FTA (TTIP, TPP or RCEP).
- Examine the evolution of BITs and investment provisions in FTAs.

### Core reading

\*Hoekman, B. and Kostecky, M. (2009), *The Political Economy of the World Trading System*, ch. 10 (IVLE)

\*Baldwin, R. (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](http://wto.org/english/res_e/reser_e/ersd201108_e.pdf)

\*Manger, M. (2012), “Preferential agreements and multilateralism”, in *The Ashgate Research Companion to International Trade Policy*, pp. 405-419 (IVLE)

### 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](http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report11_e.pdf)

Heydon, K. and Woolcock, S. (2009), *The Rise of Bilateralism: American, European and Asian Approaches to Preferential Trade Agreements*, United Nations University Press, chs. 1&12, (NUS Lib: [HF1731 Hey 2009](#))

World Economic Forum (2014), *Mega-Regional Trade Agreements: Game-Changers or Costly Distractions for the World Trading System?* [http://www3.weforum.org/docs/GAC/2014/WEF\\_GAC\\_TradeFDI\\_MegaRegionalTradeAgreements\\_Report\\_2014.pdf](http://www3.weforum.org/docs/GAC/2014/WEF_GAC_TradeFDI_MegaRegionalTradeAgreements_Report_2014.pdf)

Bhagwati, J. (2008), *Termites in the Trading System: How Preferential Arrangements Undermine Free Trade*, New York: Council on Foreign Relations (NUS Lib: [HF1721 Bha 2008](#))

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

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

Sally, R. (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](http://www.ecipe.org/media/publication_pdfs/regional-economic-integration-in-asia-the-track-record-and-prospects.pdf)

Elms, D. (2015), "Initial impressions: the Trans-Pacific Partnership (TPP)", *Asian Trade Centre Policy Brief* 13-05, November  
<http://static1.squarespace.com/static/5393d501e4b0643446abd228/t/564e6544e4b07f88bd49f37e/1447978308150/TPP+Impressions+Policy+Brief+Nov+2015.pdf>

## Week 8. **FTAs, FTZs and GVCs** (AC)

Free trade agreements (FTAs) can eliminate customs duties from GVCs. Receiving preferential treatment under an FTA, however, can subject a business enterprise to a rigorous and sometimes difficult internal control process. In some cases, particularly for SMEs, the costs of adhering to and managing the “rules-of-origin” (ROOs) requirements under an FTA outweigh the potential savings. This lecture focuses on the importance of FTA ROOs, especially “regional value content” (RVC) requirements and “tariff shift” ROOs. Students will examine how MNEs and SMEs configure their GVCs around these ROOs. This lecture will also focus on the connection between FTAs and free trade zones (FTZs), and how various types of industries benefit from these arrangements.

### Discussion Topics

- Do FTA rules of origin result in the equivalent of non-tariff barriers (NTBs) to some types of companies? What might be done to simplify these ROOs?
- Why have some trade scholars referred to the Trans-Pacific Partnership (TPP) as the most progressive FTA in decades? What are some of the elements of the FTA that would “raise the bar” from existing FTA standards? Would these higher standards create more or less complexity within GVCs?
- What industries or sectors are more likely to benefit from a combined strategy of leveraging FTAs and FTZs in their value chains?

### Core Reference Reading

WCO: “Regional Value Content/Value Added Rules”

<http://www.wcoomd.org/en/topics/origin/instrument-and-tools/comparative-study-on-preferential-rules-of-origin/specific-topics/study-topics/val.aspx>

WCO: “.....The Tariff Change Method”

<http://www.wcoomd.org/en/topics/origin/instrument-and-tools/comparative-study-on-preferential-rules-of-origin/specific-topics/general-annex/cth.aspx>

OECD: BEPS 2015 Final Report

<http://www.oecd.org/ctp/beps-2015-final-reports.htm>

## Week 9. National and Regional Dimensions of GVCs (RS)

Countries, cities and regions attract GVCs in the first instance through their regulations and business climates at home. FTAs and the WTO can be complements, but not substitutes, for home-grown policies and institutions. This session focuses first on the national and sub-national advantages that attract GVCs, in both the developed and developing worlds. It then looks at regional variation in GVCs, which are concentrated in North America, Europe and East Asia. Other parts of the world are less integrated into GVCs.

### Discussion topics

- What national policies and institutions attract GVCs to particular locations? Give examples from both developed and developing countries.
- How important are cities and sub-national regions to GVCs? What makes some more successful than others in attracting GVCs?
- Why are GVCs concentrated in North America, Europe and East Asia? What are the prospects of them spreading to other parts of the world?

### Core reading

\*World Economic Forum (2012), *The Shifting Geography of Global Value Chains: Implications for Developing Countries*

[http://www3.weforum.org/docs/WEF\\_GAC\\_GlobalTradeSystem\\_Report\\_2012.pdf](http://www3.weforum.org/docs/WEF_GAC_GlobalTradeSystem_Report_2012.pdf)

\*World Economic Forum (2016), *Competitive Cities and their Connections to Global Value Chains*, White Paper

[http://www3.weforum.org/docs/WEF\\_2016\\_WhitePaper\\_GAC\\_Competitive\\_Cities\\_.pdf](http://www3.weforum.org/docs/WEF_2016_WhitePaper_GAC_Competitive_Cities_.pdf)

\*Gereffi, G. and Fernandez-Stark, F. (2011), *Global Value Chain Analysis: A Primer*  
[http://www.cggc.duke.edu/pdfs/2011-05-31\\_GVC\\_analysis\\_a\\_primer.pdf](http://www.cggc.duke.edu/pdfs/2011-05-31_GVC_analysis_a_primer.pdf)

### Background reading

Taglioni, D and Winkler, D (2014), "Making global value chains work for development", *World Bank Economic Premise* no. 143, May

<https://openknowledge.worldbank.org/bitstream/handle/10986/18421/880530BRI0EP140d0VC0knowledge0notes.pdf?sequence=1&isAllowed=y>

Elms, D. and Low, P. eds. (2013), *Global Value Chains in a Changing World*, WTO/Fung Global Institute/Temasek Foundation Centre for Trade Negotiations, esp. chs. 5,10,11,13,14,15,16

[https://www.wto.org/english/res\\_e/booksp\\_e/aid4tradeglobalvalue13\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/aid4tradeglobalvalue13_e.pdf)

The E15 Initiative (2013), *Global Value Chains: Development Challenges and Policy Options*, WEF/ICTSD <http://e15initiative.org/wp-content/uploads/2015/09/E15-Global-Value-Chains-Compliance-Report-FINAL.pdf>

Amador, J. and Di Mauro, F.eds. (2015), *The Age of Global Value Chains: Maps and Policy Issues*, CEPR/VoxEU <http://www.voxeu.org/sites/default/files/GVCs-ebook.pdf>

Sally, R. (2008), *Trade Policy, New Century*, ch. 6  
<http://www.iea.org.uk/sites/default/files/publications/files/upldbook432pdf.pdf>

Nielson, J., Pritchard, B. and Yeung, Henry Wai-chung (2014), "Global value chains and global production networks in the changing international political economy", *Review of International Political Economy* 21,1

<http://www.tandfonline.com/doi/pdf/10.1080/09692290.2013.873369> (IVLE: Library E-Reserves)

Review of International Political Economy (2014), *Special Issue on Global Value Chains and Global Production Networks in the Changing International Political Economy*, 21,1, <http://www.tandfonline.com/doi/pdf/10.1080/09692290.2013.873369> (IVLE)

## Week 10. **Sanctions, Export Controls, Anti-Corruption and GVCs** (AC)

Geopolitics and international conventions regarding strategic goods, sanctions and export licensing play a crucial role in how transnational businesses conduct GVC risk management. What impact would a sudden change to the *Wassenaar Arrangement* or the *United Nations Sanctions List* have on cross-border trade? Similarly, formal frameworks and laws around anti-bribery and corruption such as the *UK Anti-Bribery Act* and the *Foreign Corrupt Practices Act (FCPA)* also exert considerable influence on how business is conducted throughout GVCs.

### Discussion Topics

- How would a military confrontation in the South China Sea affect regional and global value chains? Could sanctions against firms from various “culpable” nations wreak havoc on cross-border trade? How should an MNE mitigate such risks?
- Do the business and ethical standards in the FCPA, in the United States, and the UK Anti-Bribery Act discourage the development of GVC hubs in emerging markets?
- Does the growth of “virtual” GVCs and the “platform economy” increase or decrease the likelihood of export control violations?

### Core Reference Readings

UK Anti-bribery Act (2010)

<https://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>

The Wassenaar Arrangement

<http://www.wassenaar.org/> (See ‘All Documents’)

United Nations Sanctions List

<https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>

The Foreign Corrupt Practices Act

<https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act>

## Week 11. The Future of Trade Policy and GVCs (AC/RS)

Where is trade policy heading? The world economy remains open; it has not descended into rampant protectionism since the global financial crisis. But “creeping” protectionism has increased and international trade growth has slowed down markedly. Moreover, rising anti-globalisation in the West threatens to ratchet up protectionism. What does this mean for the WTO, FTAs and global trade liberalisation more generally? And where are GVCs heading? Will they continue to expand sectorally and geographically, aided by policy liberalisation and technological development? Or will policy and technological forces make them “recentralise”, i.e. become more nationally and regionally focused, especially in the USA, Europe and China?

### Discussion topics

- What are the prospects for trade policy? Focus on the global political climate for trade liberalisation, the WTO and FTAs.
- What are the prospects for GVCs? Will they continue to expand sectorally and geographically? Or will “onshoring” and regionalisation prevail?
- In the future, will Civil Society play more or less of an influential role in FTAs and GVCs, particularly around environmental issues like carbon footprints and social issues such as labour standards
- Will China’s development of “One Road One Belt” have a significant impact on GVCs. If so, how and Why?

### Core reading

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

\*Heydon, K. and Woolcock, S. (2012), “Trends in trade policy and challenges ahead”, in *The Ashgate Research Companion to International Trade Policy*, pp. 521-537 (IVLE)

### Background reading

Bhatia, K., Evenett, S. and Hufbauer, G. (2016), “Why General Electric is localising production”, *VoxEU*, 21<sup>st</sup> June <http://voxeu.org/article/why-general-electric-localising-production>

Evenett, S. and Fritz, F. (2015), “The tide turns? Falling world trade and the G20”, *Vox EU*, 12<sup>th</sup> November <http://voxeu.org/article/protectionism-and-fall-world-trade>

Hoekman, B. ed. (2015), *The Global Trade Slowdown: A New Normal?* VoxEU [http://www.voxeu.org/sites/default/files/file/Global%20Trade%20Slowdown nocover.pdf](http://www.voxeu.org/sites/default/files/file/Global%20Trade%20Slowdown%20nocover.pdf)

World Economic Forum (2013), “The Future Role of Civil Society”

[http://www3.weforum.org/docs/WEF\\_FutureRoleCivilSociety\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_FutureRoleCivilSociety_Report_2013.pdf)

The Economist (2015) “The New Silk Road”, September 12

<http://www.economist.com/news/special-report/21663326-chinas-latest-wave-globalisers-will-enrich-their-countryand-world-new-silk-road>