

Seminar in International Trade and Regional Integration

General Information

This seminar will cover current topics in International Trade and Regional Integration. As indicated in the course catalogue, an organizational meeting will take place on Friday, February 18, at 13:45h. The seminar itself will take place on Friday and Saturday, April 15/16, 09:00-18:00h.

For a successful participation you should have taken a course in introductory economics (e.g., Grundlagen der VWL/Introduction to Economics). Ideally, you should also have taken additional courses in microeconomics and econometrics (e.g., Mikro A/Introductory Microeconomics, Grundlagen der Ökonometrie/Introduction to Econometrics). However, even if you have not taken these additional courses you should be able to work on most of the proposed topics (more on this below). It is also not necessary to have prior knowledge in International Economics, although having taken a course in that area would of course be an advantage (e.g., the course "Internationale Ökonomik" offered in Mannheim).

You should indicate your three top choices from the list of topics below. If several students choose the same topic, priority will be given to those with higher marks in Introductory Economics (if the mark in Introductory Economics is the same, the marks for Introductory Microeconomics and Introduction to Econometrics will count). So when you apply, please also let me know which of the prerequisite courses you have taken, and what marks you have obtained in them. Alternatively, I am also open to topics proposed by students, provided they seem feasible, are sufficiently challenging, and are related to international trade or regional integration.

Finally, due to time constraints the number of participants is limited to 15 students. Again, applicants will be selected on the basis of their prior marks in Introductory Economics (and possibly the other two prerequisite courses).

Should you have any additional questions or comments, please do not hesitate to contact me at [hbrein\[at\]essex.ac.uk](mailto:hbrein@essex.ac.uk).

Please sign up for this seminar at ILIAS or by e-mailing Nuray Mamac, [nuray.mamac\[at\]econ.uni-mannheim.de](mailto:nuray.mamac@econ.uni-mannheim.de).

List of Topics - Explanatory Comments

There are three broad categories of topics for this seminar

Topics without a star are basically literature reviews. That is, you will be expected to provide a concise summary of the literature in the area and to draw your own

conclusions based on that literature. It will not be necessary to undertake your own data work, and no prior knowledge of econometrics is required.

Topics with one star (*) will require a certain amount of data work but no knowledge of econometrics. For example, you might need to compile statistics and figures in Excel, in addition to summarising literature.

Finally, topics with two stars (**) DO require previous knowledge of econometrics (at an introductory level). These topics might either involve the use of statistical programs such as STATA, or the reading of papers for which a basic understanding of econometrics is necessary.

In general, if more data work is required for a topic, the literature review part can be shorter. As a very broad guideline, you will be expected to read and summarise about 8-10 papers for a no-star topic, around five papers for a single-star topic, and three or less papers for a two-star topic.

Note that for most topics, I have provided one or several references in order to get you started (they should be available in the library; alternatively, I have listed the relevant URL). However, you will need to find and read literature beyond these initial references. Towards the end of this document are a couple of hints on how to find additional literature.

List of Topics

1. Analyse the impact of the European Union's trade and agricultural policy on developing countries. Include a description of past and present policies and discuss whether they have hurt or benefited developing countries.

A good reference to get you started is: Panagariya, A. (2005), "Agricultural Liberalisation and the Least Developed Countries: Six Fallacies.", *The World Economy*, 1277-1299.

2. Discuss whether or not the current Doha Round of trade talks is making progress. What should be done to bring it to a successful conclusion?

Two recent articles to get you started on this topic are:

- a. Paul Collier (2006), "Why the WTO is Deadlocked: And What Can Be Done About It", *The World Economy*, vol. 29, No. 10, pp. 1423-1449, October 2006.
- b. Robert E. Baldwin (2006), "Failure of the WTO Ministerial Conference at Cancun: Reasons and Remedies", *The World Economy*, vol. 29, No. 6, pp. 677-696, June 2006.

The World Trade Organization's website also has a lot of relevant information (see www.wto.org).

3. (**) Are trade liberalisation, and economic openness more generally, good for growth?

A slightly older but very influential article to get you started on this topic is: Rodrik, D. and F. Rodriguez (1999), "Trade Policy and Economic Growth: A Skeptic's

Guide to Cross-National Evidence”, NBER Working Paper 7081, available at <http://www.nber.org/papers/w7081>.

4. (**) Description and Estimation of a Gravity Equation.

In the first part of this paper, you should briefly describe the history of the so-called “gravity equation” in international trade, and discuss which type of questions have been addressed within this framework. In the second part, you should estimate a gravity equation yourself and show what impact geographic distance, common language, and common colonial origins have on international trade flows. The necessary data is readily available, for example from CEPII at <http://www.cepii.fr/anglaisgraph/bdd/bdd.htm>.

Two recent articles to get you started on this topic are:

- a. Keith Head (2003), “Gravity for Beginners“, mimeograph. Available from numerous website, simply type “gravity for beginners” into Google (or contact me for a copy).
- b. Anne-Celia Disdier and Keith Head (2008), “The Puzzling Persistence of the Distance Effect on Bilateral Trade”, *Review of Economics and Statistics*.

Note: This topic might not look immediately appealing, but is one of the potentially most rewarding on this list. In particular, carrying out a gravity equation estimation yourself would be a great preparation for a Bachelor's dissertation in this area. It will also teach you quantitative skills that are valuable for further studies in economics and/or finance (or for any job which involves number crunching!).

5. Describe the evolution of world trade during the recent recession. Why did international trade contract so much more than GDP? How quickly did trade recover? What are the likely consequences of the decline and subsequent recovery?

A very exhaustive summary is the following collective volume published on www.voxeu.org: “The great trade collapse: Causes, Consequences and Prospects”, ed.: Richard Baldwin, available at <http://www.voxeu.org/index.php?q=node/4297>.

6. (**) Has the Euro led to an increase in trade among its member states?

A good reference to get you started is: Richard Baldwin (2006), “The Euro's Trade Effects”, European Central Bank Working Paper Series 594, available at: www.ecb.int/pub/pdf/scpwps/ecbwp594.pdf.

7. How could the multilateral trading system be reformed to make it more effective in helping developing countries?

Three articles to get you started on this topic are:

- a. Deardorff, A. and R. Stern (2003), “Enhancing the Benefits for Developing Countries in the Doha Development Agenda Negotiations”, RSIE Discussion Paper 498 (University of Michigan). Available at: <http://www.fordschool.umich.edu/rsie/workingpapers/wp.html>
- b. Charlton, A. H. and J. E. Stiglitz (2005), “A Development-friendly Prioritisation of Doha Round Proposals”, *The World Economy*, 28, 3, 293–312.
- c. Panagariya, A. (2005), “Agricultural Liberalisation and the Least Developed Countries: Six Fallacies”, *The World Economy*, 28, 9, 1277–99.

8. (*) Compare the impact of Chinese import competition on two countries of your choice. Which of the two is likely to face higher short-run adjustment costs? Could both countries still benefit in the long run?

For this topic, it is essential that you collect some basic data on trade and production to back up your claims. A useful collection of data is available from CEPII at <http://www.cepii.fr/anglaisgraph/bdd/bdd.htm>. Carefully select the two countries to make sure that China's impact on the two is sufficiently different (for example, Germany vs. Italy could be an interesting choice). For the second part of the question, have a look at standard textbook expositions (e.g. Krugman & Obstfeld, "International Economics"), or at articles like Daniel Trefler's "The Long and Short of the Canada-United States Free Trade Agreement" (*American Economic Review*, 2004).

9. Outline how the Dispute Settlement Mechanism in the World Trade Organisation (WTO) is different from its predecessor in the General Agreement on Tariffs and Trade (GATT). Do you think that the changes have been beneficial to the functioning of the multilateral trading system?

A good (if somewhat lengthy) paper to get started on this topic is:

Srinivasan, T.N. (2007), "The Dispute Settlement Mechanism of the WTO: A Brief History and an Evaluation from Economic, Contractarian and Legal Perspectives", *The World Economy*, vol. 30, No. 7, pp. 1033-1068, July 2007.

10. What is the impact of food safety standards in the U.S. and the EU on developing countries? Do they hurt the latter's exports and economic performance?

A reference to get you started is: Henson, S. and S. Jaffee (2008), "Standards and Agro-Food Exports from Developing Countries: Rebalancing the Debate", World Bank Policy Research Working Paper 3348.

11. (*) Use data from the World Trade Organisation's website (<http://stat.wto.org/Home/WSDBHome.aspx>) to analyse some important features of world trade. You should at least address the following points (but feel free to add more):

- a. Who are the biggest traders, i.e. which countries or groups of countries have the largest share in world exports and imports? Has this changed over the past ten years?
- b. How important is trade in commercial services as compared to trade in goods? Has this changed over the last ten years?
- c. How has trade in goods and services involved during the past recession?

In your view, will the trends you highlighted in a) and b) continue in the future? Give your own opinion and explain it!

Note that this topic is related to topic 5, so that the literature cited there is also relevant here. The main difference is that topic 11 is much more focused on data analysis, whereas the literature review can be comparatively short.

12. What explains the recent increase in regional trade agreements? Do you think that this development will hamper further multilateral trade liberalization within the WTO?

A reference to get you started is: Whalley, J. (2008), "Recent Regional Agreements: Why So Many, Why So Much Variance in Form, Why Coming So Fast, and Where Are They Headed?", *World Economy*, 517-532.

13. Analyse the consequences of China's WTO accession in 2001, both for China and for the WTO and its existing members.

A reference which describes expectations prior to the accession is the following (but please note that this question is about what actually happened after accession!):

Will Martin and Elena Ianchivichina (2001), "Implications of China's Access to the WTO for China and the WTO", *World Economy*, Sep. 2001, Vol. 24 Issue 9, pp. 1205-1220.

14. What has been the approach of most developing countries towards international trade negotiations under the General Agreement on Tariffs and Trade (GATT) and the World Trade Organisation (WTO)? How successful has this approach been? How has it changed over time?

A reference to get you started is: Finger, J. Michael (2008), "Developing Countries in the WTO System: Applying Robert Hudec's Analysis to the Doha Round". *World Economy*, Jul2008, Vol. 31 Issue 7, pp. 887-904.

15. What is the impact of trade on wage and income inequality?

A recent reference to get you started is: Ann Harrison, John McLaren and Margaret S. McMillan (2010), "Recent Findings on Trade and Inequality", NBER Working Paper 16425, available at www.nber.org/papers/w16425.

Note that some background knowledge in international trade and intermediate microeconomics would be very helpful for this topic.

How to find relevant literature?

There are many ways to find articles, books etc. on your chosen topic. Here are three suggestions on where to look:

- Internet search engines (Google, Google Scholar, etc.): This usually gives lots of results but be careful about the quality of the articles (not everyone writing about a topic is an expert!). Please do not cite Wikipedia but always the original sources! In general, Google Scholar tends to give better results than a full Google search.
- Search engines for economic journals: Social Science Research Network (www.ssrn.com); JSTOR, EconLit, Business Source Premier (all accessible via the library).
- Economic journals: There are a number of journals which provide overviews or non-technical studies of current topics in economics. Try browsing through the

following ones (all accessible electronically via the library or via the internet): Journal of Economic Perspectives, Journal of Economic Literature, The World Bank Economic Review, Economic Policy, European Central Bank Working Papers, World Economy.

- Vox EU (www.voxeu.org): Has lots of non-technical summaries of policy-relevant academic research. Very good as a starting point but please read and cite the original articles for your seminar paper.
- A very comprehensive book about the World Trade Organisation (WTO) which should be useful for some of the topics above is:

Bernard M. Hoekman, Michel M. Kostecki (2010), "The Political Economy of the World Trading System: The WTO and Beyond", Oxford University Press. (There is also an earlier edition from 2001 which is also still relevant).