J. Riedel 15/4/2018

International Trade Theory and Policy (Part II)

Group Projects

Each group will produce an essay (approximately 15 pages in length) addressing the central questions raised in the assigned topic. Each group will present its essay to the class and be prepared discuss and defend its principal arguments and findings in the final week of the term. The group project will carry a weight of 30% in the course grade.

Each group will have 5 members (20 student/4 topics = 5 students/topic). It will be up to each group to organize the research and writing of the essay among the 5 members.

In general, each essay should (1) lay out the key economic issues raised in the topic, (2) briefly survey the debates and findings in the existing literature, (3) evaluate existing empirical evidence presented in the literature, (4) present the group's own original empirical evidence on the topic, and (5) conclude with a summary of findings and, if appropriate, policy recommendations, in particular with regard to Vietnam.

Project Topics

Topic #1: Trade and Environmental Policy

Concerns about natural resource use and the environment on the one hand and about the trade effects of environmental policies on the other are becoming ever-more prominent in trade policy discussions. Many developing countries perceive the meshing of environmental and trade issues as a threat to both their sovereignty and their economies, while groups in industrial economies consider it unfair, ecologically unsound, and even immoral to trade with and invest in countries adopting much lower environmental standards than their own.

Question: What are the pros and cons of using trade agreements to achieve environment objectives?

Topic #2 Trade and labor standards

There is a wide disparity of views on issues of international labor standards. Some are concerned that imports from countries in which labor standards are not enforced at a sufficiently high level will be detrimental to wages and employment conditions in (developed) importing countries. Others are argue that trade agreements should be used to help workers in the developing countries avoid being exploited, having their wages suppressed, and being subjected to abusive work conditions.

Question: Are trade agreements, whether multilateral or regional, an appropriate and effective instrument for monitoring and enforcing international labor standards?

Topic #3: Economic Costs and Benefits of the VN-US Bilateral Trade Agreement (BTA) and Vietnam's accession to the WTO.

Prior to implementation of the US-VN BTA, many in Vietnam were skeptical that Vietnam would benefit from the agreement, which went into effect on January 1, 2002, because the U.S.

market was so distant, large and legalistic. On the other hand, prior to accession to the WTO in 2007, euphoria reigned throughout Vietnam. WTO membership, many proclaimed, would change everything for the better for Vietnam. Yet, the outcome of the two events was very different from what was anticipated. Vietnam's exports soared immediately after the BTA came into effect. On the other hand, shortly after acceding to the WTO in 2007, Vietnam fell into an economic crisis—growing trade deficits, accelerating inflation, rising interest rates and, in May 2008, a run the currency, with the dong depreciating by 25% over two weeks.

Question: Why did Vietnam <u>apparently</u> benefit from the BTA, but not from WTO accession?

Topic 4: Trade and industrial policies to raise domestic value-added of Vietnam's exports

The domestic value-added constitutes only a fraction of the value of Vietnam's gross exports. Many argue that Vietnam should adopt trade and industrial policy measures to increase domestic value-added of Vietnamese exports. At the same time, some of the same proponents of raising domestic value-added of exports, support measures to enhance Vietnam's participation in the global supply chain.

Question: Should Vietnam take measures to raise the domestic value-added of exports (i.e. rely less on imported inputs used in export production). If not, why not? If yes, then what measures should be recommended?