

Law, Economics and Politics of International Trade

(Economics 164/Law 306/Political Science 216)

Profs. Goldstein, Staiger & Sykes

Winter 2008

MW 1:40-3:40: Room 190 (Law School).

This course, taught by an economist, a lawyer and a political scientist, focuses on the legal architecture of the WTO system and associated positive and normative questions about its design and wisdom. The course commences with an overview of the economics and politics of international cooperation on trade, and an introduction to the WTO as an institution and its core obligations. The course then considers a series of selected topics, each from a legal, economic and political perspective. These topics include: the nature of international disputes and the manner in which they are settled; the choice between regional and global approaches to trade cooperation; the interface between international trade obligations and domestic regulation of health, safety and the environment; and special and differential treatment of developing countries.

Prerequisite: Economics 51 or its equivalent.

Instructors:

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Course Requirements and Grading:

Law Students (students registered for Law 306): The grade will be based on a take-home examination to be administered during the Winter Quarter law school exam period. In lieu of the exam, students may write a substantial paper on a topic relating to the general subject matter of the course, to be approved by the instructor (Sykes). Law students are also strongly encouraged to do the two economic problem sets and two political science essay assignments that will be distributed by Professors Staiger and Goldstein, although these assignments will not be a basis for the grade.

Non-law Students (students registered for Economics 164 and Political Science 216): You will be asked to complete 5 assignments, 2 graded problem sets focusing on economics, two graded essay assignments focusing on political science and a term paper. Each problem set/essay assignment is worth 20% of your final grade, but only the top two scores for each student will count toward that student's course grade. However, each

failure to turn in on time a problem set or essay assignment that shows a "serious effort" will result in a penalty of minus 5% of the course grade. The remainder of your grade, sixty percent, will reflect your term paper, due at noon on Monday, March 17th. In this paper you will be asked to consider a hypothetical WTO dispute and provide an analysis of the dispute from a legal, political and economic perspective. More information on the paper will be distributed later in the course.

Course Outline and Readings

(Starred * Readings Optional)

All readings are available either through a hyperlink on this syllabus, or on coursework.

I. *Introduction to the WTO System and its Architecture* (6 classes)

Lecture 1 (Sykes, Jan. 9). The WTO/GATT System: Legal Overview.

Readings:

- *Sykes, **Law and Economics of International Trade and Investment**, chapter 3: An Introduction to the History and Institutions of International Trade (in draft).

Lecture 2 (Staiger, Jan. 14). The Economics of the GATT/WTO: Overview.

Readings:

- "[An Introduction to the WTO and GATT](#)," by Meredith A. Crowley, 2003 *Economic Perspectives*, 4th Quarter 2003, Federal Reserve Bank of Chicago.

Lecture 3 (Staiger, Jan. 16). The Economics of the GATT/WTO: A Partial Equilibrium View.

Readings:

- "[Reciprocity, Non-discrimination and Preferential Agreements in the Multilateral Trading System](#)," by Kyle Bagwell and Robert W. Staiger, *European Journal of Political Economy*, June 2001.

Lecture 4 (Staiger, Jan. 23). The Economics of the GATT/WTO: A General Equilibrium View.

Readings:

- "[Economic Theory and the Interpretation of GATT/WTO](#)," by Kyle Bagwell and Robert W. Staiger, in Michael Szenberg and Lall Ramrattan (eds.) **New Frontiers in Economics**, Cambridge University Press, 2004.

Lectures 5-6 (Goldstein, Jan. 28, 30). The Politics of the WTO System.

Readings:

- James E. Alt, Jeffry Frieden, Michael J. Gilligan, Dani Rodrik, and Ronald Rogowski, "The Political Economy of International Trade: Enduring Puzzles and an Agenda for Inquiry," *Comparative Political Studies*, December 1996.
- Barton, et al. **The Evolution of the Trade Regime**, Chapter 2.

- Rose. 2004. “Do We Really Know that the WTO Increases Trade?” *American Economic Review*, 94(1): 98-114.
- Goldstein, Rivers, and Tomz. “Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade” *International Organization*, Winter 2007.
- Scheve and Slaughter. 2001. “What determines individual trade-policy preferences?” *Journal of International Economics*, 54(2): 267-92.
- Hiscox. 2001. “Class Versus Industry Cleavages: Inter-Industry Factor Mobility and the Politics of Trade.” *International Organization*, 55(1): 1-46.

II. *The Dispute Settlement System* (2 classes)

Lecture 7 (Sykes, Feb. 4).

Readings:

- Jackson, Davey & Sykes, **International Economic Relations** 4th Ed. (West 2002) §7.3.
- WTO Dispute Settlement Understanding.
- *Warren F. Schwartz & Alan O. Sykes, The Economic Structure of Renegotiation and Dispute Resolution in the World Trade Organization, *Journal of Legal Studies* 31: S179-204 (2002).
- *Alan O. Sykes, Public Versus Private Enforcement of International Economic Law: Standing and Remedy, *Journal of Legal Studies* 34: 631-66 (2005).

Lecture 8 (Goldstein, Feb. 6).

Readings:

- Goldstein and Gowa “U.S. National Power and the Post-War Trading Regime,” *World Trade Review*, 2003.
- Goldstein and Steinberg “Rise of Judicial Liberalization in the WTO” forthcoming in Walter Matli and Ngaire Woods, **Global Governance**.

III. *MFN and Regionalism* (3 classes)

Lecture 9 (Sykes, Feb. 11).

Readings:

- Jackson, Davey & Sykes, §10.2 The MFN Obligation, §11.2: The Article XXIV Exception.
- GATT Arts. I & XXIV.

Lecture 10 (Staiger, Feb. 13).

Readings:

- “Controversy: Regionalism versus Multilateralism,” *The Economic Journal*, July 1998, pp. 1126-1182. (“[Introduction](#),” by Sajal Lahari; “[Trading Preferentially: Theory and Practice](#),” by Jagdish Bhagwati, David Greenaway and Arvind Panagariya; “[The New Regionalism](#),” by Wilfred J. Ethier; and “[Will Preferential](#)”

[Agreements Undermine the Multilateral Trading System?](#),” by Kyle Bagwell and Robert W. Staiger.

Lecture 11 (Goldstein, Feb. 20).

Readings:

- Mansfield and Reinhardt. 2003. “Multilateral Determinants of Regionalism: The Effects of the GATT/WTO on the Formation of Preferential Trading,” *International Organization* (2003), 57: 829-862.
- Milner and Mansfield, “The New Wave of Regionalism” *International Organization* (1999), 53: 589-627.

IV. *Trade vs. Health, Safety and Environmental Regulation* (3 classes)

Lecture 12 (Sykes, Feb. 25).

Readings:

- Jackson, Davey & Sykes, §§13.1-13.4 Art. XX exceptions, §14.2, The SPS Agreement.
- GATT Art. III, Art. XX.
- WTO SPS Agreement.
- *Sykes, Regulatory Protectionism and the Law of International Trade, *U. Chi. L. Rev.* 66: 1-46 (1999).

Lecture 13 (Staiger, Feb. 27).

Readings:

- “[The WTO as a Mechanism for Securing Market Access Property Rights: Implications for Global Labor and Environmental Issues](#),” by Kyle Bagwell and Robert W. Staiger, in *Journal of Economic Perspectives*, Summer 2001, pp. 69-88.
- “[The Simple Economics of Labor Standards and the GATT](#),” by Kyle Bagwell and Robert W. Staiger, in Alan V. Deardorff and Robert M. Stern (eds.), **Social Dimensions of U.S. Trade Policies**, The University of Michigan Press, 1999.

Lecture 14 (Goldstein, March 3).

Readings:

- Barton et al. Chapter 5.
- J. Goldstein and L. Martin. 2000. Legalization, Trade Liberalization and Domestic Politics: A Cautionary Note, *International Organization*, 54: 6-3-32.

V. *North South Issues: Developing Countries in the WTO* (3 classes)

Lecture 15 (Sykes, March 5).

Readings:

- GSP case.
- Gene M. Grossman & Alan O. Sykes, A Preference for Development: The Law and Economics of GSP, 4 *World Trade Review* 41 (2005).

- *Alan O. Sykes, TRIPs, Pharmaceuticals, Developing Countries and the Doha "Solution," *Chicago J. Int'l Law* 3: 47-68 (2002).
- Chad P. Bown, Participation in WTO Dispute Settlement: Complainants, Interested Parties and Free Riders, *World Bank Economic Review* 19: 287-310 (2005).

Lecture 16 (Staiger, March 10).

Readings:

- “[What Can Developing Countries Achieve in the WTO?](#),” by Robert W. Staiger, *Journal of Economic Literature*, June 2006.

Lecture 17 (Goldstein, March 12).

Readings:

- Eric Reinhardt, The Perversity of Preferences: GSP and Developing Country Trade Policies, 1976-2000”, *Journal of Development Economics* 78:1 (October 2005), 1-21.
- Milner and Kubota, “ Why the Move to Free Trade? Democracy and Trade policy in the Developing Countries,” *International Organization*, Winter 2005.