

Term Paper Assignment

The term paper assignment requires the submission of a 15-page paper, **due 5PM Friday, May 6th via email**. You can choose among four different topics discussed below, or you may select an alternative if there is a specific area of international trade that you wish to investigate further. However, the risk of choosing an alternative topic is that you will not have the benefit of the explicit guidelines and suggestions that I outline below.

It might be helpful in structuring this paper to pretend that you are a special adviser to the President on the National Economic Council (NEC), and you are writing this as a memo to the NEC Chair to give him/her background on either of the topics below.

You should include tables of data if useful. In addition, graphs (depicting data) may be helpful in supporting your arguments. Follow the proper rules for citation of text and data sources.

You should write this paper as if it were an actual memo. In other words, you might wish to generate your own tables and graphs, as opposed to pulling them out of other papers. Also make sure there are no grammatical and spelling errors.

Topic 1: National Security Implications of Inbound FDI

The increasing number of acquisitions of American firms in certain sectors by foreign firms and foreign managed state funds has led to a debate over the national security implications. Discuss the economic and political causes and implications of this trend. In your examination, be sure to address the following:

- What is Foreign Direct Investment? (FDI) How big are the flows and stocks in the United States?
- What are the economic arguments in favor of allowing FDI.
- What are the concerns that have been laid out in the criticisms of the previous regime? (You will need to discuss the workings of CFIUS.) Relatedly, what sectors should be deemed critical to national security?
- How has recent legislation changed the situation, if at all?
- What policies do you recommend, if any?

Topic 2: Outsourcing

The outsourcing of jobs overseas has become a topic of public policy debate in recent years. As a consequence, some policy responses have been proposed. In discussing this topic, address the following points.

- What is outsourcing? Are there different definitions being used in popular and technical discussions?
- Analytically, is there any reason to apply differing methods of economic analysis to outsourcing, versus the well-known phenomenon of some manufacturing activities moving offshore?
- What is the quantitative magnitude of the outsourcing phenomenon?

- What policies are being forwarded to respond to outsourcing, and would such policies have the intended effects? Do you agree with these proposals?

Topic 3: The Rise of Regional Trading Arrangements

Past decade has witnessed a proliferation of bilateral and plurilateral preferential trading arrangements, many of which take the form of free trade agreements. This tendency is likely to accelerate in the wake of the collapse of the Doha Round talks.

- Discuss the advantages and disadvantages of such arrangements from an individual country perspective, with particular focus on tariffs and quotas. When are the advantages likely to be the most pronounced?
- What stance should the U.S. take with respect to proposing such agreements?
- In order to focus the discussion, you might examine a specific example, e.g. the TPP.

Topic 4: Trade and Health Concerns

In the past two years, there have been a series of incidents involving imported goods that pose what are perceived to be serious health challenges. Discuss the arguments for action, in the context of extant proposals. In your memo, be sure to discuss the following.

- What is the extent of the problem (carefully examining the difference between perceptions and reality, as represented by statistics or epidemiological studies)?
- What are the key proposals for addressing health concerns associated with imports?
- What are the difficulties associated with implementing these proposals? Include in your discussion the issue of whether the measures are consistent with WTO agreements the US is party to.
- What would be the economic implications of implementing these proposals, including those affecting foreign countries?
- What are your recommendations for addressing these problems, if any?

Topic 5: Currency Manipulation and Trade Policy

There have been proposals to declare certain US trading partners as currency manipulators, and then pursue remedies involving trade restrictions on the alleged offenders.

- Briefly, explain what currency manipulation is (or how it has been interpreted).
- What potential remedies are possible?
- What would be the economic (trade) implications of such measures?
- What would be the likely response of US trading partners to such measures?
- Conclude with your recommendations regarding declaration of certain countries as currency manipulators.