

Term Paper Assignment

The term paper assignment requires the submission of a 15-page (text, double spaced) paper, **due 5PM Wednesday, May 1st 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 would recent proposed legislation change matters?
- What policies do you recommend, if any?

Topic 2: Offshoring

The outsourcing of jobs overseas (sometimes called offshore outsourcing or offshoring) 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 offshoring? 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: Regional Trading Arrangements

Past decades have witnessed a proliferation of bilateral and plurilateral preferential trading arrangements, many of which take the form of free trade agreements. This trend has apparently halted, and possibly gone in retreat, with the advent of Brexit, the end of the US involvement in the Trans Pacific Partnership (TPP), and the threat to exit/renege NAFTA.

- 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 existing agreements?
- In order to focus the discussion, you might examine a specific example, e.g. the NAFTA/USMCA.
- What are the advantages and disadvantages of such agreements, focusing on the very specific measures that apply to intellectual property protection.

Topic 4: Reducing the US Trade Deficit and Increasing Employment using Protection

The Administration has proposed using tariffs and/or quotas to limit imports into the United States, using either national security based provisions (Section 232), or unfair trading practices (Section 301).

- Briefly, explain what these measures are.
- What would be the impact on selected sectors?
- What would be the impact on the overall trade balance, and the overall economy?
- How do your answers depend on the degree to which retaliation occurs?

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.