

PUAF 700: U. S. Trade: Policy and Politics
Midterm Examination
November 12, 2003

GENERAL INSTRUCTIONS:

Please identify yourself by your *social security* (student ID) *number*, not your name.
Use separate books for Part A and Part B.
You have a total of two (2) hours to complete the exam.

PART A (60 Points): Identify ten of the following, discussing in a short paragraph the significance of each for international trade and/or economic policy.

absolute advantage	Reciprocal Trade Agreements Act of 1934
Doha Ministerial	S - I = X - M
dumping	SPS Agreement
FTAA	symbolic politics
gains from trade	Bill Thomas
Group of 21	Tokyo Round
Lori Kletzer	TPA
precautionary principle	WTO General Council

PART B (40 Points): Respond to one of the following.

1. On Monday, November 10, 2003, the WTO Appellate Body upheld, in major part, the prior panel decision that the steel tariffs imposed by President Bush in March 2002 are inconsistent with US commitments under the WTO Safeguards Agreement. The President must now respond.

Write an essay analyzing the choice the President faces. Conclude with a recommendation on whether he should reaffirm, reverse, or modify his decision to impose the tariffs. Include in your discussion considerations of trade policy, trade and electoral politics, and how his decision may affect the WTO dispute settlement process and support for this process within the United States.

2. China's bilateral trade surplus with the United States has suddenly emerged as a hot political issue in Washington. Critics link it to the sharp recent decline in US manufacturing employment, and blame this (at least in part) on the exchange rate of the Chinese currency, the RMB. They therefore demand that the Chinese government act to make the RMB appreciate against the dollar.

Assume that the Chinese government does respond to this pressure and revalues its currency upward as recommended. Applying to logic of international trade and macroeconomics, write an essay explaining what impact such action might have on, among other things, the US-China trade balance, the global US trade and current account deficit, and US manufacturing employment.