

PUAF 700: U. S. Trade: Policy and Politics  
Professor Destler  
Midterm Examination  
November 11, 1998

GENERAL INSTRUCTIONS:

Please identify yourself by your *social security* number, not your name.

Use a Yellow Book for Part A, and a Blue Book for 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 U.S. policy.

“aggressive multilateralism”  
current account balance  
gains from trade  
ILO  
Robert Z. Lawrence  
“less than fair value”  
MFN  
quota rents  
rules of origin  
 $(S - I) = (X - M)$   
Super 301  
TAA  
trade diversion  
USITC  
US-Mexico trade balance  
WTO dispute settlement mechanism

PART B (40 Points): You have just joined the USTR staff as special assistant to Ambassador Charlene Barshefsky. Your job is to provide her with trade policy and political advice unaffected by specific operational responsibilities.

Write her a memo in response to *one* of the following two major issues facing the Clinton administration. Include both arguments that address the substance of trade policy and arguments that stress the need for political support. (And *don't blow your cover* by using your name in the memo.)

1. After years of (relative) inactivity, the U.S. steel industry has launched a high-profile, multi-pronged campaign for import relief: advertising prominently in major media; submitting antidumping cases against producers in countries such as Russia, Korea and Japan; and winning

Part B, continued. . . .

overwhelming House passage of a (non-binding) resolution urging action to curb imports. This action comes as the overall US trade deficit reaches record levels, with a sharp surge in the volume of steel and other imports fueled by the strength of the dollar and the weakness of other currencies. House Democratic Leader Richard Gephardt has urged that the administration launch an investigation aimed at granting relief under the escape clause (Section 201).

How should the Clinton administration respond? Recommend an overall policy posture and specific steps to be taken (or not taken). In your memo, be sure to address:

- a) the administration's basic commitment to an open trade policy, and its need to have other nations so perceive its policy;
- b) the problem of preventing trade-restrictive action by Congress, or a high-profile legislative battle over the issue;
- c) the need to promote economic recovery and open-market institutions in nations hit hard by the global financial crisis; and
- d) the need to maintain the credibility of the trade remedy laws that grant relief from imports to US producers in situations that meet statutory criteria.

- - - - -

2. In September, the House of Representatives voted 243-180 against renewal of fast-track authority. President Clinton has pledged to seek a new consensus and submit new legislation in 1999. In any case, his administration faces a serious challenge to define its trade liberalization priorities:

- a) What issues should it highlight and what international agreements should it seek?
- b) What balance should it strike between global, regional (e.g., FTAA) and bilateral trade negotiations?
- c) Should it actually seek fast-track authority in 1999? If so, how might the legislation be crafted so as to attract broader House support? Specifically, how should it handle the controversial issues of trade-related labor and environmental standards?

Write a memo that *either* (1) recommends a specific administration response to these issues *or* (2) defines basic options from which the President must choose.