

Exam EEP 131, Fall 2005

Answer any two of the following questions using a short essay. You have three hours to do the exam, but I expect that it should take no longer than two hours. Since you (should) have plenty of time, I will expect (reasonably) clear essays.

1) What does the term "production and processing methods" (PPM) mean? Using two or more examples of environment-related trade disputes, discuss the role that this term has played in trade law. Discuss arguments for and against the legal use of "PPM".

2) What is a "regulatory taking"? Explain the relation between the doctrine of regulatory taking and Chapter 11 of NAFTA. Discuss the role of the "investor-to-state" provision of this Chapter. Describe one or more Chapter 11 cases; explain the tribunal ruling and give your assessment of that ruling.

3) Using a supply and demand graph, identify the welfare loss caused by a trade restriction (e.g., a tariff). Provide an example of a situation in which a trade restriction can increase welfare in the presence of a market failure. Explain whether this kind of example provides a weak or a strong argument in favor of using trade restrictions to remedy environmental problems.

4) How does the WTO attempt to balance the interests of trade liberalization and environmental protection? This explanation should include a discussion of the principles of non-discrimination, and those parts of the WTO that are relevant to the environment.

5) Explain the difference between absolute and comparative advantage, and illustrate the gains from trade in a two-sector Ricardian model.

6) Describe two global environmental problems that will likely become important over the next 50 - 100 years. Discuss the potential role of international institutions/agreements (including trade agreements) in confronting these problems.