# International Trade and Public Policy

# Syllabus – Spring 2012

Econ 5550/6550

Class Meets: Wednesday 6 PM to 9 PM

*Note: This syllabus is subject to change*

## Instructor

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# DESCRIPTION

Trade Policy is a complex nexus of economic theory, economic conditions and trends, domestic and international politics and institutions, domestic business interests and civil society. The objective of this course is to provide an understanding of contemporary U.S. trade policies and the relationships between public policy and economic theory in the context of a globalized world economy. Students will review and consider the theories underlying international trade to gain an understanding of the rationale for trade, the gains from trade, how trade effects economic welfare. The nature and conduct of U.S. trade policy will be evaluated in terms of public policy and trade theory. Students will undertake a comprehensive examination of U.S. trade policies from the protectionism of the Great Depression to the WTO, NAFTA and the current debate on future international trade agreements. Particular attention will be given to the institutional structures and decision-making processes involved in trade policy, especially the roles of Congress, the President and interest groups such as industry and civil society. Contemporary trade policy issues such trade with China, Airbus subsidies, trade and environment, labor standards, regional trade agreements and the future of Doha will be examined from a perspective of theory and public policy using case studies as appropriate

## **COURSEWORK, EXAMS AND GRADES**

**Class Method** Course material will be covered through assigned readings, lectures and class discussion. Several case studies will be utilized to provide a real world perspective on policy making. In addition newspaper and magazine articles on contemporary international trade issues will be posted on the Blackboard. These will be discussed in class as time permits.

**Exams/Tests** There will be final exam, predominately essay questions. A mid-term is to be decided. In addition there will be some short in class quizzes as well some short take home quizzes.

**Written Papers** Students will prepare papers on various topics and case studies, typically using formats similar to those employed in the Federal government to brief senior policy officials. Both the option papers and the issue papers will serve as a basis for the class discussion and will be due at the end of the class.

**Course Grade** The course grade will be determined by

* Case study option papers and issue papers – 40%
* Written exams and quizzes – 60%
* Class participation/Discussion – Up to 5 point bonus

**Attendance** is important for two reasons. First, since there is no single text and readings are drawn from many sources my lectures provide a more comprehensive framework for understanding the material and its significance. I do post my lectures after every class in order to allow students to focus more on what I’m saying rather than note taking. These are, however, only notes and not the complete text. Second, I believe one learns as much or more from discussing a subject as reading about. Hence, I place a high priority on class discussion. I expect students to discuss key elements of the reading and written assignments. To this end, for most classes I will be posting a set of study/discussion questions.

**READINGS**

Specific readings are listed by class session. It is important to complete each session’s readings prior to the class for several reasons. This will greatly facilitate class discussion and permit lectures to focus on key issues rather than details. Also the lectures will not necessarily cover all the materials in the readings, but students will be responsible for being familiar with this information.

For most classes there will be study questions to guide the readings. Students should be prepared to discuss these questions in class. In addition for some units there will be self-test questions on the Blackboard for those that wish to test their understanding of the materials.

For some classes there are a number of required readings, however, in most cases these readings are short.

**Required Text** Only one book will need to be purchased: International Trade by Robert Feenstra and Alan Taylor, 2nd edition (F&T).

All other required reading will be available on the class Blackboard, E-Reserve and/or on the web with links from the syllabus and/or the Blackboard. The material from the following books are used extensively and are available on, on the Blackboard E-Reserve or available as E-Books in the Marriot Library:

* U.S. Foreign Trade Policy, Economics Politics. Laws and Issues, Cohen, Whitney, and Blecker, 2nd Edition (Referred to as Cohen(2) in the citations below.) Some of the material is also drawn from the 1st edition, Cohen(1). These readings are available on the Blackboard as well as E-Reserve. Copies of both are also on reserve.
* International Economics, Appleyard, Field and Cobb (AFC)
* The Political Economy of the World Trading System, 2nd Edition, by Bernard Hoekman and Michael Kostecki. This is available as an E-Book in the Marriot.
* American Trade Politics by I.M. Destler explores in detail the politics of U.S. trade policy. For those interested in the detail of congressional and executive actions this book is outstanding. The latest 2005 edition is available as an E-Book through the Library.
* The World Trading System, Second Edition, John H. Jackson, is an excellent reference not on the politics or political economy of trade but on the institutions, the rules and how they function. On reserve at the Marriot Library

Kennedy School of Government case studies can be purchased inexpensively online at <http://www.ksgcase.harvard.edu/search.asp>

[Presidents Trade Policy Agenda and Annual Report of USTR](http://www.ustr.gov/2011_trade_policy_agenda) is a virtual a bible of trade policy. It is cited several times below, but it is worth perusing on its own.

Also the WTO website provides a vast amount of information. <<http://www.wto.org>>.

**Blackboard/Web/CT** – Students should check the course Blackboard frequently. In addition to readings, study questions for each week’s readings will be posted as well as assignments. Lectures notes and Powerpoint slides will be posted after each lecture. The syllabus will be updated online as necessary.

###### Class Schedule and Reading Assignments

## **Jan 11 Introduction & Overview of Trade, Globalization and Trade Policy**

* F&T Chpt 1
* [The 2011 Economic Report of the President, Chapter 4 - International Economics and Trade](http://www.gpoaccess.gov/eop/2011/pdf/ERP-2011.pdf) pages 189-111
* ["The Payoff from Globalization." Gary Hufbauer and Paul Grieco, Peterson Institute for International Economics](http://www.petersoninstitute.org/publications/opeds/oped.cfm?ResearchID=524)
* “Making the Most of Globalization,” OECD, Blackboard
* The Content and Context of Trade Policy, Cohen(2) Blackboard

**Jan 18 The Rationale and Gains from Trade – The Theory of Comparative Advantge**

* F&T Chpts 2&3

**Jan 25 - Trade Models– Heckscher-Ohlin & Tariffs, Effects of trade liberalization, the case for trade free trade and negotiations**

* F&T Chpt 4
* International Economics, Krugman and Obstfeld, 2008, pages 212-230 Blackboard

### Feb 1 The Evolution of American Trade Policy I

* F&T Pages 359-365
* AFC 367-373
* Edward S.Kaplan, American Trade Policy, 1923-1995, pages 52-56
* Cohen(1) - pages 32-44, Cohen(2) – pages 183-192
* I.M. Destler Chpt 2
* ["Understanding the WTO: The GATT Years," WTO](http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm)
* The following papers by Eleanor Lewis (former Asst. General Counsel for International Trade, U.S. Dept. of Commerce are brief overviews
  + Eleanor Lews, Legal and Historical Framework for U.S. Trade Law
  + Eleanor Lewis, Overview of GATT

# Optional

* Hoeckman Chapter 4 - Provides a more detailed discussion of the tariff negotiating process (E-Book Marriot)
* “Cordell Hull, the Reciprocal Trade Agreements Act and the WTO,” Ken Dam (Blackboard.) A wonderful monograph on FDR’s Secretary of State who was the driving force towards a new U.S. trade policy.

**Feb 8 Evolution of Trade Policy II:Beyond Tariffs -- NTB’s & Trade In Services, The WTO**

* Hoekman pages 185-205 (ER),
* ["Regulatory Standards in the WTO," Keith Maskus](http://www.iie.com/publications/wp/print.cfm?doc=pub&ResearchID=121), working paper, Petersen Institute
* ["The Current State of the WTO,"](http://www.iit.adelaide.edu.au/docs/Stanford.pdf) Andy Stoler, (former Deputy Director, WTO)
* ["Decision Making in the WTO,"](http://www.iie.com/publications/pb/print.cfm?doc=pub&ResearchID=63) Schott and Watal, Peterson Institute, policy brief
* Cohen(2) pages 191-202

# Optional

Hoekman Chapter 7 - Provides a more detailed discussion of trade in services and the General Agreement on Services (GATS),E-Book

Reference:

[Understanding the WTO](http://www.wto.org/english/thewto_e/whatis_e/tif_e/tif_e.htm) This WTO website provides a vast amount of descriptive information on the WTO

# Feb 15 Instruments of Trade Policy –Import Tariffs and Quotas, Dumping

* AFC Chpt 13
* F&T – Chpt 8
* [The Economic Effects of Significant Trade Restraints](http://www.usitc.gov/publications/332/pub4094.pdf), U.S. ITC, 2009, Chpt 2 (Skim only)

**Feb 22 Trade Remedies** -

* Destler Chpt 6
* F&T – Pages 295,300 & 308
* Cohen(2) Chpt 7 – pages 150-176
* Philip Mundo, National Politics in a Global Economy, Chpt 7
* ["Anti-Dumping: The Third Rail of Trade Policy,"](http://www.foreignaffairs.org/2005/7.html) Mankiew and Swagel*, Foreign Affairs*, Dec 2005, WTO Special Edition
* The Effects of U.S. Trade Protection for Autos and Steel, Robert Crandall, Brookings Papers on Economic Activity, 1987:1 (Blackboard)
* [National Trade Estimates Report](http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file405_15451.pdf), USTR 2009 (skim only)

# Feb 29 The Political Economy of Trade Policy

* Cohen(1) Chpts 5 and 6
* Destler pages 14-17, Chpts 4 and 5
* ["Fast Track Trade Promotion Authority,"](http://www.brookings.edu/comm/policybriefs/pb91.pdf) Brainard and Shapiro, Brookings Policy Brief
* ["The Politics of Trade and Fast Track Trade Promotion Authority,"](http://www.iie.com/publications/wp/print.cfm?doc=pub&ResearchID=121) Claude Barfield, American Enterprise Institute

**Case Study** – “Standing up for Steel: The U.S. Government Response to Steel Industry and Union Efforts to Win Protection from Imports (1998-2003) Kennedy School Case Study 1651.0 - Paper Due and Class Discussion

**March 7- TBD**

**March 14** **Regional Free Trade Agreements**

* Cohen(2) Chpt 12
* F&T 365-372
* International Economics, Krugman and Obstfeld, 2008, pages 239-242
* ["The Effects of NAFTA on U.S-Mexican Trade and GDP,"](http://www.cbo.gov/ftpdocs/42xx/doc4247/Report.pdf) Congressional Budget Office
* Summary of Korea FTA (skim)
* [America's Bipartisan Battle Against Free Trade](http://www.columbia.edu/~jb38/FT%20bipartisan.doc), Jagdish Bhagwati, Financial Times
* Jackson on Rules of Origin
* A Competitive Approach to Free Trade, Fred Bergsten, OP-ED, FT, 4 Dec 2002

Optional For Graduate Economics Students –

* F&T pages 398-406
* Richard Lipsey, “The Theory of Customs Unions: A General Survey,” Economic Journal Sept 1960
* “Trade Creation and Diversion Under NAFTA,” Ann Krueger, NBER (Blackboard

# March 21 – Spring Break

March 28 Strategic Trade Theory and Trade Disputes – Boeing vs. Airbus, Japan and Semiconductors

* F&T Chpt 10.5-.6 (Pages 342-357)
* Trade Policy and Market Structure, Krugman, Pages 1-5
* “Creating Advantage: How Government Policies Shape International Trade in the Semiconductor Industry”, Borrus, Tyson, and Zysman,in Krugman, Strategic Trade and the New Economics – Pages91-111
* Competition in the Wide-Body Aircraft Market
* Boeing-Airbus Subsidy Dispute: An Economic and Trade Perspective, Carbaugh and Olienyk (Blackboard)
* WSJ Article on Airbus-Boeing Dispute

Optional - Graduate Economics Students – “Rationale for Strategic Trade and Industrial Policy,” James Brander in, “Strategic Trade Policy and the New International Economics,” Paul Krugman Ed.

# April 4 Bilateral Trade Issues

* Cohen(1) Chpt 10 and Cohen(2) Chpt 10
* [China Trade Issues](http://fpc.state.gov/documents/organization/102624.pd), Congressional Research Service 2008
* US-EU Trade Relations, Congressional Research Service, 1 May 2006
* US-Japan Trade Relations, Stephen Cohen, Proceedings of the Academy of Political Science, Vol. 37, No. 4.
* China's Trade Surplus with the United States, Fred Bergsten, March 2006
* Navigating China’s Rise, Lael Brainard & Wing Woo, Brookings, 2007

Issue Paper Due– Temporary Higher Tariffs on Imports of tires from China

**April 11 New Dimensions to Trade Policy- Labor, Environment, Civil Society**

* F&T Chpt 11.2-.3 Pages 372-396
* [Trade Agreements and Labor Standards](http://www.brookings.edu/comm/policybriefs/pb133.pdf) Ted Moran, Brookings Policy Brief 133
* [Understanding the WTO: cross-cutting and new Issues: The Environment: A Specific Concerns](http://www.wto.org/english/thewto_e/whatis_e/tif_e/bey2_e.htm)
* Joiner, Conservation vs. Free Trade
* [DR-CAFTA Final Text, Chapter 16 (Labor) and Chapter17 (Environment)](http://www.ustr.gov/Trade_Agreements/Regional/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html), skim
* [CAFTA's Weak Labor Rights Protections: Why the Present Accord Should be Opposed](http://hrw.org/english/docs/2004/03/09/usint8099.htm), A Human Rights Watch briefing
* [CAFTA's Labor Provisions: World Class, Best Ever,"](http://www.ustr.gov/assets/Trade_Agreements/Regional/CAFTA/Briefing_Book/asset_upload_file58_7878.pdf) USTR
* WTO On New Issues Chapter 4 – Environment, WTO
* ["Civil Society and the World Trade Organization,"](http://www.ppionline.org/ndol/print.cfm?contentid=653) Progressive Policy Institute, 1999
* Trade Negotiations and Civil Society, Sylvia Ostrey, IADB, Sept. 2002

**April 18** Current and future directions for trade

* [DOHA Development Agenda](http://www.wto.org/english/thewto_e/whatis_e/tif_e/doha1_e.htm) WTO
* The Doha Development Agenda – Turing Vision into Reality, National Foreign Trade Council, March 2005
* Why Is It So Difficult? Trade Liberalization Under the Doha Agenda, Will Martin & Patrick Messerlin, Oxford Economic Review of Policy, Volume 3, Number 3
* No Giving Ground in Doha Trade Talks, The Age, 3/4/2010 - Blackboard
* Rescuing the Doha Round, Fred Bergsten Blackboard
* “A Fresh Free Trade Agenda for DOHA, Grant Aldonas,” FT July 13, 2007
* New Leadership on Trade, Aldonas and Erickson
* Stoler and Gallagher, An Alternate Framework for MTN

**April 25 Review**

### ACADEMIC HONESTY

Public service is a calling that requires students, as future administrators, to understand the importance of ethical behavior in all facets of their work, including their academic coursework. The University of Utah and the Program in Public Administration expect students to adhere to generally accepted standards of academic conduct. Academic misconduct is defined in the University’s student code as follows:

“Academic dishonesty” includes, but is not limited to cheating, misrepresenting one’s work, inappropriately collaborating, plagiarism, and fabrication or falsification of information. These are defined in the University’s Student Code and are available on the U of U Web. All admitted MPA students should have reviewed a summary of the policy and signed a form attesting to that. If you have not done so, please go to the MPA office to read and sign the form.

In academic and journalistic writing it is required that all sources from which ideas and words are drawn be fully acknowledged and cited. It is also a basic principle that we should not represent someone else’s work as our own. Therefore, make sure that you use quotation marks to indicate use of someone else’s writing or words in your work, and provide a full citation that identifies the author(s), title, publisher, location of the publisher, year published, and page(s) at which the quotation may be found. If you use WEB sources, make sure to include a full WEB address for the specific work. When in doubt about a proper citation form, consult a style manual, and be sure to use one style consistently throughout any given paper.

A citation should also be given when using someone else’s idea(s) or concept(s), even if you are not quoting directly from their work. A common form for such a citation is to put the author and year of his/her published work in parentheses at an appropriate place in the sentence that employs the concept. Then put the full citation of the work in the references. Consult Turabian or some other style manual for specifics on proper styles of citation.

Academic honesty is so important that severe sanctions exist in all universities and colleges for cases of proven dishonesty. Expectations of honesty are especially high for graduate students. Correspondingly, abuses of academic honesty are not tolerated. If you are in doubt as to a proper standard of honesty in a specific situation, please consult your professor.

**REASONABLE ACCOMMODATION**

**U of U ADA Policy**

The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the instructor, as well as to the Center for Disability Services, 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations. All written information in this course can be made available in alternative format with prior notification to the Center for Disability Services.