# International Trade and Public Policy

# Syllabus – Spring 2013

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**. (See addendum for detailed course objectives.)

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 Canvas. These will be discussed in class as time permits.

**Exams/Tests** There will be mid-term and final exams that will be predominately essay questions. 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 class discussion and will be due at the end of the class.

**Presentations** Each student (Econ 6550 only) will be required to prepare and give a short presentation (5-10 minutes) on an international trade policy topic during the semester.

**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 be prepared discuss key elements of the reading and written assignments.

**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.

Students should review the course objectives and any study questions that have been posted for each session prior to undertaking the reading. Students should be prepared to discuss these questions in class. In addition for some units there will be self-test questions on Canvas 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 Canvas, E-Reserve and/or on the web with links from the syllabus and/or Canvas.

* *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. (*Hoekman*) 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>

[President's Trade Agenda and USTR Annual Report 2012](http://www.ustr.gov/about-us/press-office/reports-and-publications/2012-0)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>>.

**Canvas** – 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 9 Introduction & Overview of Trade, Globalization and Trade Policy**

* F&T Chpt 1
* ["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,
* The Content and Context of Trade Policy, Cohen(2)
* [The 2012 Economic Report of the President, Chapter 5, Pages 139-161](http://www.whitehouse.gov/administration/eop/cea/economic-report-of-the-President)

**Jan 16 The Rationale and Gains from Trade – The Theory of Comparative Advantge**

* F&T Chpts 2&3

**QUIZ**

**Jan 23 - 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

**Optional**

Krugman – Trade and Wages

Samuelson-Stopler - Original

### Jan 30 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 (A wonderful monograph on FDR’s Secretary of State who was the driving force towards a new U.S. trade policy.

**Feb 6 Evolution of Trade Policy II:Beyond Tariffs -- NTB’s & Trade In Services, The WTO**

* ["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
* **Hoeckman -**This is an Ebook available thru the Marriot Library

Read pages:

74-78 Dispute Settlement

185-206 Non-tariff Barriers

237-263 Services

274-300 IPR

303-308 Safeguards

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 13 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)

SHORT QUIZ

**Feb 20 Trade Remedies** - (Readings to be revised)

* 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 2012](http://www.ustr.gov/about-us/press-office/reports-and-publications/2012-1) (skim only)

# Feb 27 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 6- Mid Term**

**March 13 – Spring Break**

**March 20** **Regional Free Trade Agreements**

* Cohen(2) Chpt 12
* F&T 365-372
* International Economics, Krugman and Obstfeld, 2008, pages 239-242
* Free Trade Areas and the Impact on U.S. Trade and Implications for U.S. Trade Policy, Congressional Research Service
* ["The Effects of NAFTA on U.S-Mexican Trade and GDP,"](http://www.cbo.gov/ftpdocs/42xx/doc4247/Report.pdf) Congressional Budget Office
* “The Pros and Cons of Free Trade Areas,” 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

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

* F&T Chpt 10.5-.6 (Pages 342-357)
* Krugman, “Intro to Strategic Trade Policy”
* “Trade Policy and Market Structure, Krugman,” Pages 1-9
* “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 ~~)~~
* 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 3 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 10 Bilateral Trade Issues

* 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, Dec 2011
* 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
* *National Trade Estimates Report*, USTR, Chapter on China

Add

Prestowitz on China

China looks beyond its borders NYT

US-EU key policy issues

Second Issue Paper Due

**April 17** Current and future directions for trade

* [DOHA Development Agenda](http://www.wto.org/english/thewto_e/whatis_e/tif_e/doha1_e.htm) WTO
* “After Doha,” Susan Schwab, **Foreign Affairs,** May/June 2011
* Why Is It So Difficult? Trade Liberalization Under the Doha Agenda, Will Martin & Patrick Messerlin, Oxford Economic Review of Policy, Volume 3, Number 3
* “A Fresh Free Trade Agenda for DOHA, Grant Aldonas,” FT July 13, 2007
* Stoler and Gallagher, An Alternate Framework for MTN
* “The future of DOHA and the WTO,” CEPR
* Reading on the TransPacificPaternership (TPP) – to be added

**April 24 Review**

* CSIS Panel Session– Former USTR’s on Future of U.S. Trade Policy, video on Blackboard.

**April 31 Final Exam**

### 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.

## International Trade Policy

**Econ 5550/6550**

**Spring 2013**

## Course Goals and Objectives – Students should gain a broad understanding of the following:

* International trade, the U.S. economy and globalization
* What is trade policy?
* The connection between trade policy and globalization
* Basic tenets of international trade theory and how that informs trade policy
* How and why U.S. and global trade policy has evolved
* The institutions, U.S. and multinational, that guide and shape international trade
* What are the forces, political, economic, private that shape trade policy?
* How does the U.S. government make and conduct trade policy?
* What can be learned from trade policy that applies to government policymaking generally?
* What is the significance and role of regional trade agreements
* How does the U.S. handle bilateral trade relationships?
* How do modern concerns such an environment and labor rights interact with trade policy?
* How has the rise of new economies such as China, India and Brazil affected trade policy?
* What are the current and possible future directions in trade policy?

**The Following represent the learning objectives for each unit of study.**

**Introduction -Globalization and U.S. Trade (Session I)**

* What is trade policy?
* What is the importance of trade to the U.S. economy?
* Who are our major trade partners and how has this evolved
* What is the meaning of globalization?
* What are the key characteristics of globalization from an economic standpoint?
* What factors are driving globalization
* Is Globalization good, bad or neutral?

**Theory of International Trade (Sessions II and III)**

* Comparative advantage and the gains from Trade
	+ What is the Ricardian Model of comparative advantage
	+ What rationale does it provide for free trade
	+ What determines international prices and levels of trade
* Heckscher-Ohlin factor endowments and alternate trade models
	+ What are the key assumptions of H-O
	+ How does H-O determine the patterns of trade?
	+ What are the implications of the Stopler-Samuelson theorem for factor prices and welfare?
	+ How does the S-S theorem relate to the current issue of wages and free trade
	+ What are the other models of trade?
* What are the implications of trade theory for U.S. trade policy?

**The Evolution of U.S Trade Policy and the World Trading Environment (Sessions IV and V)**

* How and why the Reciprocal Trade Agreements Act of 1934 changed the roles of the President and Congress in trade policy
* The emergence of the GATT
	+ The creation of GATT – Why and how?
	+ Key principles of GATT – Why it has succeeded?
* Accomplishments and failures of key trade rounds – Kennedy, Tokyo and Uruguay
* How does the WTO differ from the GATT
* What is the single undertaking and what are its implications
* What are Non-tariff barriers (NTBs) and how has the GATT/WTO dealt with them
* How has the WTO dealt with services trade?

**Instruments of Trade Policy and the Costs of Protection (Session VI)**

* What are instruments of trade policy?
* How are the welfare effects of tariffs calculated?
* What is the difference for a small country vs. large country
* How do quotas affect welfare? What are quota rents?

**Trade Remedies (Session VII)**

* What are safeguards, how are they applied and what are the rules?
* Dumping and subsidies – how do U.S. law and the WTO deal them with?
* How are trade remedies administered by the U.S.G.? What is the role of the president?
* How do the various trade remedies differ in terms of objectives, requirements and application?

**Political Economy of Trade Policy (Session VIII)**

* How is the Executive Branch organized to manage trade policy?
* What is the Role of the Office of the U.S. Trade Representative – Why was it created?
* What is the relationship between Congress and the Executive Branch in the development and implementation of trade policy?
* What is “Fast-Track/Trade Promotion Authority” and why is it critical to the conduct U.S. trade policy?
* What are the forces, political, economic, other that shape U.S. trade Policy?

**Regional Trade Agreements (Session IX)**

* What are regional trade agreements (RTAs)?
* How do RTAs relate to GATT rules
* Economic theory of customs unions and free trade areas
* U.S. Policy with respect to RTAs – Why did it change?
* Rationales and Benefits of RTAs
	+ Why NAFTA
* Key elements of US RTAs
	+ Rules of Origin
* Pros and Cons of RTAs – Trade creation vs. trade diversion
* Do RTAs promote or hinder multilateral reduction of trade barriers.
* What role should RTAs play in future?

**Strategic Trade Policy (STP) (Session X)**

* STP vs. traditional neoclassical trade theory
	+ Nature of markets – competitive vs. imperfect competition
	+ Imperfect competition and the effects of tariffs/subsidies
	+ Is comparative advantage fixed? Infant industry argument.
* Two-way trade in similar goods – What determines trade in an imperfectly competitive world?
* What are strategic industries – Key characteristics
* Implications of STP for trade and industry policies
	+ Benefits/Risks of gov intervention
* Significance of Airbus/Boeing conflict
	+ Potential gains and losses for Europe
	+ GATT/WTO rules

**Bilateral Trade Relationships (Session XI)**

* What are they? What characteristics do that have?
* U.S- Japan
	+ Why so contentious
	+ Key issues/characteristics
	+ Fault of Japanese policies or U.S. policies – who was right and wrong?
	+ US policy actions and strategies – effectiveness
	+ Lessons
* US. -Europe
	+ Compared to Japan/China?
	+ Key issues/characteristics
	+ Future direction of US-Europe relationship
* U.S.-China
	+ Compared to Japan
	+ Why is China an issue? Are U.S. concerns legitimate?
	+ Factors effecting relationship
	+ Is China a threat?
* How well has U.S. handled bilateral relationships? Can they be improved?

**New Dimensions in Trade Policy (Session XII)**

* Trade and Labor Standards
	+ What do labor supporters want?
	+ How do labor standards relate to GATT/WTO rules
	+ The challenge of enforceable standards – pros and cons
	+ RTAs and labor standards – current practices
	+ Future of trade and labor Standards in WTO/DOHA – North vs. South?
	+ How do we improve labor standards globally?
* Trade and Environment
	+ Significance of Tuna-Dolphin and Shrimp-Turtle cases?
	+ Issue non-discrimination/national treatment – why is product vs. process critical?
	+ National sovereignty vs. WTO rules
	+ How to protect the global commons? WTO, Multilateral Environmental Agreements?
* Role of private Sector/Civil Society/NGOs in trade policy
	+ U.S. Industry Advisory committees – role
	+ Participation of Civil Society/NGOs in WTO – pros and cons
* Other issues
	+ Corporate identities in globalized world – What defines U.S. national interests?

**DOHA and Beyond (Session XIII)**

* What and why DOHA?
* U.S. perspective/objectives
* Developing country perspectives
	+ Special and differential treatment
	+ Development strategies
	+ Single undertaking
* Key obstacles to agreement
* Why negotiations are failing? Is the WTO still workable?
* What are the alternatives to DOHA?
* What is the TransPacificPartnership (TPP)
	+ What is its purpose?
* What role can pluralateral agreements play?