

International Trade and Public Policy

Syllabus – Spring 2015

Econ 5550/6550

Class Meets: Wednesday 6 PM to 9 PM

Note: This syllabus is subject to change

Instructor

Jonathan Menes

Contact Info: Jonathan Menes

Phone: (435)647-3462

Email: jonathan.menes@gmail.com

Office Hours: Wednesdays 3-5pm. OSH 368 Other times by appointment

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 There will be mid-term and final exams that will be predominately essay questions.

Tests/Homework Assignments – For most classes together with the reading there is a set of questions due before the next class.

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) with an accompanying written paper 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%
- Mid-term and Final – 50%
- Test questions – 10% (see below)
- Presentations (Econ 6550) 5%

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 lectures notes which are in outline form after every class. These are, however, only notes and not the complete text and are not a substitute for being in class. Second, I believe one learns as much or more from discussing a subject as reading about it. Hence, I place a high priority on class discussion. I expect students to be prepared discuss key elements of the reading and written assignments.

CANVAS

Canvas will be the primary vehicle for communication. The required readings for each class will be posted and most will be directly accessible from Canvas with the exception of readings in required textbook. All assignments will be posted on Canvas. **Postings on Canvas take precedence over the syllabus.** This is an important since changes may be made to required readings over the course of the semester. Also, students should be sure to link the canvas messaging system to their regular email addresses so that they will be alerted to new messages and postings.

READINGS

Specific readings are listed by class session. These should be read prior to class. Students should be prepared to respond to questions regarding the material. Also the lectures will

not necessarily cover all the materials in the readings, but students will be responsible for being familiar with this information.

Prior to each class students should review the course objectives for that class.

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 or 3rd 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 <https://www.case.hks.harvard.edu/casetitle.asp?caseNo=1651.0>

[President's Trade Agenda and USTR Annual Report 2012](#) 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>>.

Class Schedule and Reading Assignments*

Jan 14 Introduction & Overview of Trade, Globalization and Trade Policy

- F&T Chpt 1
- "Globalization and Trade," WTO (excerpt)

* Readings are subject to change. Readings posted on Canvas are definitive.

- ["The Payoff from Globalization." Gary Hufbauer and Paul Grieco, Peterson Institute for International Economics](#)
- "Making the Most of Globalization," OECD,
- "Supply Chain Perspectives," WTO – Pages 26-40
- The Content and Context of Trade Policy, Cohen(2)
- [The 2012 Economic Report of the President, Chapter 5, Pages 139-161](#)

Assignment Due Jan 20– “Read Our Misplaced Faith in Free Trade” and write a short paper (less than 1 page double-spaced) on why you agree or disagree with the article.

Jan 14 The Rationale and Gains from Trade – The Theory of Comparative Advantage

- F&T Chpts 2&3

Jan 21 - 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 – This is a short but seminar paper on international trade theory. No serious student of economics

Jan 28 The Evolution of American Trade Policy I

Readings

- 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](#)
- The following are short summaries by Eleanor Lewis (former Asst. General Counsel for International Trade, U.S. Dept. of Commerce)
 - [Eleanor Lewis, 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 4 Evolution of Trade Policy II: Beyond Tariffs -- NTB's & Trade In Services, The WTO

- ["The Current State of the WTO,"](#) Andy Stoler, (former Deputy Director, WTO)
- ["Decision Making in the WTO,"](#) 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](#) This WTO website provides a vast amount of descriptive information on the WTO

Feb 11 Instruments of Trade Policy – Import Tariffs and Quotas, Dumping

- AFC Chpt 13
- F&T – Chpt 8
- [The Economic Effects of Significant Trade Restraints](#), U.S. ITC, 2009, Chpt 2 (Skim only)

Feb 18 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,"](#) 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](#) (skim only)

Feb 25 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,"](#) Brainard and Shapiro, Brookings Policy Brief

Due: 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 -

March 4 Mid –Term

March 11 – Spring Break

March 18 – Steel Case Study

March 25 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," 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, Jagdish Bhagwati, Financial Times
- Jackson on Rules of Origin
- Reading on Investor State Dispute Settlement (ISDS) rules

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

April 1 Strategic Trade Theory and Trade Disputes – Boeing vs. Airbus, Japan and Semiconductors; Trade Policy and Development

- 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 – Pages 91-111
- Competition in the Wide-Body Aircraft Market }
• Trade Policy in a Global Age – Grant Aldonas
- Readings on Development and Trade Policy to be added

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 7 New Dimensions to Trade Policy- Labor, Environment, Civil Society

- F&T Chpt 11.2-.3 Pages 372-396

- [Trade Agreements and Labor Standards](#) Ted Moran, Brookings Policy Brief 133
- [Understanding the WTO: cross-cutting and new Issues: The Environment: A Specific Concerns](#)
- Joiner, Marine Conservation vs. Free Trade
- [DR-CAFTA Final Text, Chapter 16 \(Labor\) and Chapter 17 \(Environment\)](#), skim
- [CAFTA's Weak Labor Rights Protections: Why the Present Accord Should be Opposed](#), A Human Rights Watch briefing
- [CAFTA's Labor Provisions: World Class, Best Ever,"](#) USTR
- WTO On New Issues Chapter 4 – Environment, WTO
- ["Civil Society and the World Trade Organization,"](#) Progressive Policy Institute, 1999
- Trade Negotiations and Civil Society, Sylvia Ostrey, IADB, Sept. 2002

April 14 Bilateral Trade Issues

- Cohen(2) Chpt 10
- [China Trade Issues](#), 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
- "Trading with the Dragon" – Prestowitz
- China looks beyond its borders NYT

Second Issue Paper Due

April 21 Current and future directions for trade – Multilateral Trade Negotiations (Doha), Comprehensive Regional Agreements (TTIP & TPP) and Pluralateral Agreements

Readings April 17-23 – To be Revised

- [Doha, What are they negotiating?](#) 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 TransPacificPartnership (TPP) and TransAtlantic Trade and Investment Partnership (TTIP– to be added

April 28 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 as 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 Stolper-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
- How did the RTAA change the political economy of 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
- What was the significance of the Trade Act of 1962?
- What were the lessons of the KR with regard to NTBs
- How does the WTO differ from the GATT
 - How does dispute settlement process differ
- What are Non-tariff barriers (NTBs) and how has the GATT/WTO dealt with them?
- Why has IPR become a major objective for the U.S.?
- What is the TRIPS agreement?
- What are TRIMs and why are they significant?
- How has the WTO dealt with services trade?
- Why is it difficult to negotiate services?
- How does the WTO differ from the GATT?
 - How does dispute settlement process differ?
 - What are the other major differences
- What is the single undertaking and what are its implications

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 Consumer Surplus? Producer Surplus?
- What is the difference for a small country vs. large country
- How do quotas affect welfare? What are quota rents? Who gets the quota rents?

Trade Remedies (Session VII)

- What are safeguards (Section 201), how are they applied and what are the rules?
- Ant-Dumping (AD) and Countervailing Duties (CVD) – how does U.S. law and the WTO deal with them?
- How does Section 201 action differ from AD/CVD action?
- What is a Section 301 and when is it used?

- How are trade remedies administered by the U.S.G.? What is the role of the president?
- What are Voluntary Export Restraints (VER's)? Have they been effective, e.g. steel, semiconductors, autos
- How do the various trade remedies differ in terms of objectives, requirements and application?
- How effective are trade remedies?

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? How has it evolved?
- 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?

Free Trade Agreements (Session IX)

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

Strategic Trade Policy (STP) (Session X)

- What are the implications of STP?
- What industries are of considered strategic and why?
-

Trade Policy and Development

Bilateral Trade Relationships (Session XI)

- What are they? What characteristics do that have?
- U.S- Japan
 - Why so contentious
 - Key issues trade policy issues
 - Fault of Japanese policies or U.S. policies – who was right and wrong?

- US policy actions and strategies with respect to Japan– effectiveness
- Lessons from U.S.- Japan relations
- US. -Europe
 - Compared to Japan/China?
 - Key issues/characteristics
 - Future direction of US-Europe relationship
- U.S.-China
 - Compared to Japan
 - What are the key trade issues
 - How important is the trade deficit? The value of the RMB?
 - 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?

After DOHA (Session XIII)

- Why DOHA fail?
- U.S. perspective/objectives
- Developing country perspectives
 - Special and differential treatment
 - Development strategies
 - Single undertaking

- What are the key obstacles to agreement?
- What are the alternatives exist to promote multilateral trade liberalization?
- What is the TransPacificPartnership (TPP)?
 - What is its purpose? How would it expand trade liberalization?
- What is the significance of the TransAtlantic Trade and Investment Partnerhisp (TTP)?
 - What would be the advantages and disadvantages
 - What are the major challenges to its success.
- What role can pluralateral agreements play?
- Can and should a new round of MTN be initiated?