

International Trade and Commercial Policy

Syllabus – Spring 2011

Econ 5550/6550

Class Meets: Wednesday 6 PM to 9 PM

Version: Jan 31

Note: This syllabus is subject to change

Instructor

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DESCRIPTION

Trade Policy is 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 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.

Exams There will be mid-term and final exams, both predominately essay questions.

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 – 60%
- Class participation – Up to 5 point bonus

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. It is essential that students read the materials. Lectures will not necessarily cover all the information in the readings, but students will be expected to know the material. For most classes there will be questions to guide the readings. Students should be prepared to discuss these questions in 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 edition (FT).

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 E-Reserve or available as E-Books in the Marriot Library:

- U.S. Foreign Trade Policy, Economics Politics, Laws and Issues, Cohen, Paul, and Blocker, 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 by Bernard Hoekman and Michael Kostecki. The First Edition 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>

[Annual Trade Report of the President USTR Trade 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>>

For those interested in the more technical economic issues, additional optional readings are offered.

Blackboard/Web/CT – Students should check the course Blackboard frequently. In addition to readings other than the assigned text, 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 12 Introduction & Overview of Trade, Globalization and Trade Policy

- FT Chpt 1
- [Economic Report of the President 2007, Chapter 8, International Trade and Investment](#) Pages 167-175
- ["The Payoff from Globalization." Gary Hufbauer and Paul Grieco, Peterson Institute for International Economics](#)
- "Making the Most of Globalization," OECD, Blackboard
- The Content and Context of Trade Policy, Cohen(2) Blackboard

Optional ["The Payoff to the U.S. from Globalization," Bradford, Grieco & Hufbauer, Peterson Institute](#) -(This is a more technical paper and is recommended for graduate economics students)

Jan 19 The Rationale and Gains from Trade – The Theory

- F&T Chpts 2&3

Optional for graduate economics students - Paul Krugman and Robert Lawrence, "Trade, Jobs and Wages, NBER working paper 4473, 1993 (Blackboard)

Jan 26 - Trade Models– Heckscher-Ohlin & Tariffs, Effects of trade liberalization, the case for trade free trade and negotiations

- FT Chpt 4
- Krugman and Obstfeld pages 212-230 Blackboard

Feb 2 The Evolution of American Trade Policy I

- 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
- FT Pages 359-365
- ["Understanding the WTO: The GATT Years," WTO](#)

Optional

- Hoekman 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 9 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](#), working paper, Petersen Institute
- ["The Current State of the WTO,"](#) Andy Stoler, (former Deputy Director, WTO)
- ["Decision Making in the WTO,"](#) 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)

Reference:

[Understanding the WTO](#) This WTO website provides a vast amount of descriptive information on the WTO

Feb 16 Instruments of Trade Policy –Import Tariffs and Quotas, Dumping

- FT – Chpt 8, Pages 296-324
- [The Economic Effects of Significant Trade Restraints](#), U.S. ITC, 2009 (Skim only)
- Other Readings to be added

Feb 23 Trade Remedies -

- AFC Chpt 13
- Cohen(2) Chpt 7 – pages 150-176
- Philip Mundo, National Politics in a Global Economy, Chpts 6 and 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](#), USTR 2009 (skim only)
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For graduate econ students, “Calculating the Consumer and Net Welfare Costs of Import Relief,” Staff Research Study, U.S International Trade Commission, 1985 (ER)

March 2 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
- ["The Politics of Trade and Fast Track Trade Promotion Authority."](#) 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 9- Midterm

March 16 Regional Agreements

- Cohen(2) Chpt 12
- FT 365-372
- Krugman and Obstfeld 2008 pages 239-242
- ["The Effects of NAFTA on U.S-Mexican Trade and GDP,"](#) Congressional Budget Office
- “Free Trade with Chile: Summary of the U.S.-Chile Free Trade Agreement,” USTR (Blackboard) (skim)
- Summary of Korea FTA (Blackboard) (skim)
- [The Pros and Cons of Pursuing Free Trade Agreements](#), Congressional Budget Office
- [Free Trade Agreements Boon or Bain of the World Trading System](#), Jeffrey Schott
- [America's Bipartisan Battle Against Free Trade](#), Jagdish Bhagwati, Financial Times
- Jackson on Rules of Origin (Blackboard)

A Competitive Approach to Free Trade, Fred Bergsten, OP-ED, FT, 4 Dec 2002 (Blackboard)

Optional For Graduate Economics Students –

- FT pages 398-406 (Blackboard)
- Richard Lipsey, “The Theory of Customs Unions: A General Survey,” Economic Journal Sept 1960 (Blackboard)

“Trade Creation and Diversion Under NAFTA,” Ann Krueger, NBER (Blackboard)

March 23 – Spring Break

March 30 Strategic Trade Theory and Trade Disputes – Boeing vs. Airbus, Japan and Semiconductors

- FT Chpt 10.5-.6 (Pages 342-357)
- Trade Policy and Market Structure, Krugman, Pages 1-5 (Blackboard)
- 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 (Blackboard)
- Competition in the Wide-Body Aircraft Market (Blackboard)
- Boeing-Airbus Subsidy Dispute: An Economic and Trade Perspective, Carbaugh and Olienyk (Blackboard)
- Boeing-Airbus Subsidy Dispute: A Sequel, R.J. Carbaugh & J. Olienyk, Global Economic Journal, Vol. 4, Issue 2 (Blackboard)
- WSJ Article on Airbus-Boeing Dispute (Blackboard)

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 6 Bilateral Trade Issues

- Cohen(1) Chpt 10 and Cohen(2) Chpt 10
- [China Trade Issues](#), 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 13 New Dimensions to Trade Policy- Labor, Environment, Civil Society

- FT Chpt 11.2-.3 Pages 372-396
- Cohen(2) - pages 319-334
- [Trade Agreements and Labor Standards](#) Ted Moran, Brookings Policy Brief 133
- [Understanding the WTO: cross-cutting and new Issues: The Environment: A Specific Concerns](#)
- “Will the WTO Turn Green: Implications of Injecting Environmental Issues into the Multilateral Trading System,” Richard Skeen, *Georgetown International Law Review*, Fall 2004 (Blackboard)

- “Race to the Top: Biases of the WTO Regime,” Carl Pope, Harvard International Review, Winter 2002 (Blackboard)
- [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 20 Current and future directions for trade

- Cohen(2) - pages 203-208,
- AFC - pages 377-389
- [DOHA Development Agenda](#) 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
- ["Development vs. Free Trade Agenda for DOHA, Bernard K. Gordon, YaleGlobal,](#) 20 July 2006
- After Doha: Protectionism Creep By Razeen Sally, Far Eastern Economic Review, Sept 2008
- 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
- [U.S. Trade Policy in the Wake of DOHA: Why Unilateral Liberalization Makes Sense](#), Daniel Ikenson, CATO
- New Leadership on Trade, Aldonas and Erickson

April 27 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.