

UNIVERSITY OF WISCONSIN–MADISON

Public Affairs 856

Spring 2010

Class: Tue/Thu 10:30am–11:45am

Room: B119 Van Vleck Hall

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Office Hours: Tuesday 1:30pm – 3:30pm

TRADE, COMPETITION, AND GOVERNANCE IN A GLOBAL ECONOMY

Course Description:

This course provides an introduction to international trade policy. The aim of the course is to provide you with an understanding of international trade theory, rules, institutions, and the major policy issues facing the global trading system.

The course first presents a treatment of the theory of international trade to explore the rationale for free trade, the distributional impact of trade, the impact of tariffs and quotas, and the challenges presented by deeper international economic integration. The course then deals with the national and international institutions of trade and trade policy, especially the GATT/WTO, to investigate principles, rules and agreements relating to major trade policies such as safeguards, anti-dumping, and subsidies and countervailing duties. The course also discusses issues in the world trading system including regional trade agreements, foreign investment, and trade and developing countries.

The course aims to provide an analytical foundation for issues in international trade and trade policy. A major emphasis will be on learning how to use economic modeling to understand the effects of trade policies and to quantify those effects. This requires some immersion in relevant economic theory, while some time will be devoted to institutional descriptions. The course thus expects you to be comfortable with graphical—and to a lesser degree algebraic—analysis.

Course Readings:

The textbooks for the course are:

Feenstra, Robert C. and Alan M. Taylor, *International Trade*, Worth Publishers, 2007 (referred to as “FT” below)

Jackson, John H., *The World Trading System: Law and Policy of International Economic Relations*, 2nd edition, MIT Press, 1997

Other required and recommended readings for each section are as listed below in this syllabus. More reading materials will be added during the semester.

You are also encouraged to follow the latest developments and current issues of international trade and trade policy by reading daily or weekly periodicals such as the *Wall Street Journal*, *New York Times*, *Financial Times*, and *The Economist*.

Course Requirements:

Requirements for the course consist of a series of problem sets, two exams, and a paper assignment(s). The weights on each requirement in determining your course grade will be as follows:

Problem Sets:	10%
Exam 1:	30%
Exam 2:	30%
Paper(s):	30%

Exams: The schedule of the two exams is as follows. There will be no make-up exam. In case you need to miss an exam at the scheduled time, you must contact me in advance and as immediately as possible.

Exam 1: Tuesday, March 9, 10:30am – 11:45am (in class)

Exam 2: Tuesday, May 11, 10:00am – 12:00pm (room: TBA)

Problem Sets: Each assignment must be handed in to me in class on (or before, if you would like) its due date. The due date of each problem set will be announced when the assignment is given. The problem sets will provide valuable information regarding your understanding of the course contents, and thus I strongly encourage you to do the assignments in a timely and serious fashion.

Paper(s): The goal of the paper assignment is for you to have an opportunity both to synthesize the topics covered in the course and to use the tools you have learned to analyze a particular international trade policy issue. For the paper(s), you will select an actual trade policy of a particular country. The assignment may be in a two-step manner, in which you will prepare an “intermediate product” of your project as the first paper and a “finished product” as the second. Further details of the paper assignment will be provided later in the semester. However, it is a good idea for you to start immediately thinking about what country you will choose to focus on and begin looking for information about it.

Others:

The class is put on an electronic mailing list (the “ClassList”). This allows distribution of announcements and class-related information to everyone enrolled in the course. Please check your e-mail regularly for my announcements, as well as those that I will make in class. Those announcements can be about (but will not be limited to) additional reading assignments and occasional class-time changes (if any necessary).

COURSE OUTLINE AND READING LIST (*updated as of 01/26*)

Notes: Recommended readings are indicated by an asterisk (*).

The underscored without a hyperlink is the name of an electric journal database that is available through the UW Library web page.

More readings will be added during the semester.

(Section 0. “Organization Meeting”)

Section I. Introduction

1. Overview of World Trade

FT, Ch. 1

Bureau of Economic Analysis, U.S. Department of Commerce, “International Data, Transactions Tables,” *Survey of Current Business*, January 2010

(http://www.bea.gov/scb/pdf/2010/01January/DPages/0110dpg_f.pdf)

World Trade Organization (WTO), *International Trade Statistics 2009*, Ch.I:

“World Trade Developments in 2008”

(http://www.wto.org/english/res_e/statis_e/its2009_e/section1_e/its09_highlight_s1_e.pdf)

(FYI: The entire document of *International Trade Statistics 2009* is available at http://www.wto.org/english/res_e/statis_e/its2009_e/its2009_e.pdf.)

* Friedman, Thomas L., “It’s a Flat World, After All,” *New York Times Magazine*, April 3, 2005 (available online through ProQuest Research Library; the article is also available

at: <http://wintonwoods.org/Members/Sabour1.Lauren/Its%20a%20Flat%20World%20After%20All%20-%20Friedman.pdf>)

* Leamer, Edward E., “A Flat World, a Level Playing Field, a Small World After All, or None of the Above? A Review of Thomas L. Friedman’s *The World is Flat*,” *Journal of Economic Literature*, Vol. 45, No. 1, March 2007, pp. 83-126 (available online through JSTOR)

2. The State of Play in Trade Policy

Barfield, Claude, and Philip I. Levy, “In Search of an Obama Trade Policy,” *International Economic Outlook* No. 1, American Enterprise Institute, August 2009 (<http://www.aei.org/outlook/100063>)

Gresser, Ed, “More Growth, Less Gridlock: Toward a New Trade Agenda,”

Democratic Leadership Council, July 2009

(<http://www.dlc.org/documents/MoreGrowthLessGridlock.pdf>)

Ikenson, Daniel J. and Scott Lincicome, “Paying the Price for Obama's Lack of a Trade Policy,” *Los Angeles Times*, July 24, 2009

(http://www.cato.org/pub_display.php?pub_id=10378)

Parks, James, “Tell Policymakers Why Colombia Free Trade Is a Bad Idea,” *AFL-*

CIO Now Blog, Aug 12, 2009 (<http://blog.aflcio.org/2009/08/12/tell-policymakers-why-colombia-free-trade-is-a-bad-idea/>)

Rodrik, Dani, “The Death of the Globalization Consensus,” *Project Syndicate*, July 2008 (<http://www.project-syndicate.org/commentary/rodrik21>)

* Krugman, Paul, "In Praise of Cheap Labor," *Slate Magazine*, March 21, 1997 (<http://www.slate.com/id/1918/>)

* Krugman, Paul, "A Raspberry for Free Trade," *Slate Magazine*, November 21, 1997 (<http://www.slate.com/id/1926/>)

Section II. The Theory of International Specialization and Exchange

1. Technology and Comparative Advantage: The Ricardian Model

FT, Ch. 2

2. Resources, Comparative Advantage, and Income Distribution: the Heckscher-Ohlin Model

FT, Ch. 4

Freeman, Richard B., "Are Your Wages Set in Beijing?," *Journal of Economic Perspectives*, Vol. 9, No. 2, Summer 1995, pp. 15-32 (available online through [JSTOR](#))

3. Economies of Scale and Imperfect Competition

FT, Ch. 6 (pp. 185-215)

Krugman, Paul R. and Maurice Obstfeld, *International Trade: Theory and Policy*, 8th edition (Addison-Wesley, 2008), Ch. 6 (pp. 114-135)

Section III. Trade Policies and Institutions

1. International

FT, Ch. 8 (pp. 273-275) and Ch. 11 (pp. 393-397; do not worry much about the "game theory" part.)

Jackson, Ch. 1 (pp. 1-11) and Ch. 2

"Trade Talks: The Doha Round...and Round...and Round," *The Economist*, August 2, 2008 (available online through [Newsbank Access World News](#))

Bouët, Antoine and David Laborde, "The Potential Cost of a Failed Doha Round," IFPRI Issue Brief #56, International Food Policy Research Institute, December 2008 (<http://www.ifpri.org/sites/default/files/publications/ib56.pdf>)

Bown, Chad P., "Protectionism Continues Its Climb," A Monitoring Update to the *Global Antidumping Database*, Brookings, July 23, 2009 (http://people.brandeis.edu/~cbown/global_ad/monitoring/2009-07-23-Bown-GAD-Monitoring.pdf)

Rodrik, Dani, "Don't Cry for Doha," *Project Syndicate*, August 2008 (<http://www.project-syndicate.org/commentary/rodrik22>)

2. National

Jackson, Ch. 3

Office of the United States Trade Representative (USTR), "2009 Trade Policy Agenda Report," July 14, 2009 (<http://www.ustr.gov/about-us/press-office/reports-and-publications/2009/2009-trade-policy-agenda-report>)

Barfield, Claude, "The Fast Track Trade War," *The American*, May 7, 2008 (<http://www.american.com/archive/2008/may-05-08/the-fast-track-trade-war>)

Markheim, Daniella, "An Act to End Trade," Heritage Foundation WebMemo No. 2524, July 6, 2009 (<http://www.heritage.org/research/tradeandeconomicfreedom/wm2524.cfm>)

- Public Citizen, "Trade Reform, Accountability, Development and Employment Act of 2009 TRADE Act" Fact Sheet, not dated
(<http://www.citizen.org/documents/TRADEActFactSheet2009.pdf>)
- Verrill, Charles Owen, Jr., "An Introduction to Trade Remedies Available under U.S. Law," unpublished "Memorandum to Clients and Friends," April 1, 1999
(<http://www.wileyrein.com/publications.cfm?sp=articles&id=13>)
- European Commission Directorate-General for Trade, "Mission Statement"
(http://ec.europa.eu/trade/issues/newround/index_en.htm)

Section IV. Trade Barriers

1. Tariffs and Quotas: Part I

FT, Ch. 8

2. Tariffs and Quotas: Part II

FT, Ch. 9 (pp. 313-325, 340-343)

3. Other Non-tariff Barriers

Jackson, Ch. 5 (pp. 153-155)

Feenstra, Robert C., "How Costly Is Protectionism?," *Journal of Economic Perspectives*, Vol. 6, No. 3, Summer 1992, pp. 159-178 (available online through [JSTOR](http://www.jstor.org))

Section V. Uses and Abuses of Trade Policy

1. Safeguards and Trade Adjustment Assistance

Jackson, Ch. 7

Brainard, Lael, Robert E. Litan, and Nicholas Warren, "Insuring America's Workers in a New Era of Offshoring," Policy Brief #143, Brookings Institution, 2005

(http://www.brookings.edu/~media/Files/rc/papers/2005/07macroeconomics_brainard/pb143.pdf)

James, Sallie, "Maladjusted: The Misguided Policy of 'Trade Adjustment Assistance'," Briefing Paper No. 26, Center for Trade Policy Studies, Cato Institute, November 8, 2007 (<http://www.freetrade.org/pubs/briefs/tbp-026.pdf>)

Rosen, Howard F., "Strengthening Trade Adjustment Assistance," Policy Brief No. PB08-2, Peterson Institute for International Economics, January 2008
(<http://www.iie.com/publications/interstitial.cfm?ResearchID=878>)

2. Dumping and Anti-Dumping Policy

FT, Ch. 6 (pp. 215-222) and Ch. 9 (pp. 343-348)

Jackson, Ch. 10

Deardorff, Alan V., "Economic Perspectives on Anti-Dumping Law," in John H. Jackson and Edwin A. Vermulst, eds., *Antidumping Law and Practice: A Comparative Study*, University of Michigan Press, 1989, pp. 23-39

(<http://www.fordschool.umich.edu/rsie/workingpapers/PPP1-25/ppp7.pdf>)

Mastel, Greg, "Keep Anti-Dumping Laws Intact," *Journal of Commerce*, September 9, 1999

(http://www.newamerica.net/publications/articles/1999/keep_anti_dumping_laws_intact)

Prusa, Thomas J., "Anti-Dumping: A Growing Problem in International Trade," *The World Economy*, Vol. 28, No. 5, May 2005, pp. 683-700 (available online through [Wiley InterScience](#))

World Trade Interactive, "U.S. Protests Another WTO Loss on Zeroing in Antidumping Proceedings," October 3, 2008 (<http://www.strtrade.com/wti/wti.asp?pub=0&story=29339&date=10%2F3%2F2008&company=>)

3. Subsidies and Countervailing Duties

FT, Ch. 10 (pp. 360-387)

Jackson, Ch. 11

FAO, "Cotton subsidies in rich countries mean lower prices worldwide," FAONewsroom, Food and Agriculture Organization of the United Nations, 2005

(http://www.fao.org/newsroom/en/focus/2005/89746/article_89759en.html)

Brunel, Claire and Gary Clyde Hufbauer, "Money for the Auto Industry: Consistent with WTO Rules?" Policy Brief No. PB09-4, Peterson Institute for International Economics, February 2009 (<http://www.iie.com/publications/pb/pb09-4.pdf>)

Levy, Phillip I., "People in Glass Houses (Subsidies Edition)," *ForeignPolicy.com*, July 2, 2009 (<http://www.aei.org/article/100714>)

Tupy, Marian L., "Who Pays for Farm Subsidies?," *Washington Times*, November 25, 2005 (http://www.cato.org/pub_display.php?pub_id=5233)

Section VI. Preferential Trading Arrangements

FT, Ch. 11 (pp. 398-406)

Bhagwati, Jagdish, "Regionalism and Multilateralism: An Overview," in Jagdish Bhagwati, Pravin Krishna, and Arvind Panagariya, eds., *Trading Blocs: Alternative Approaches to Analyzing Preferential Trade Arrangements*, Cambridge, MA: MIT Press, 1999, Ch. 1, pp. 3-32 (available through NetLibrary)

Kimenyi, Mwangi S., "African Growth and Opportunity Act: A Case of Vanishing Benefits," Brookings, July 30, 2009

(http://www.brookings.edu/opinions/2009/0730_agoa_kimenyi.aspx)

Section VII. Migration and Foreign Direct Investment

FT, Ch. 1 (pp. 15-23) and Ch. 5

Section VIII. "New Subjects" in the World Trading System: Trade in Services, Intellectual Property Rights, and Investment

Jackson, Ch. 12

Section IX. Foreign Outsourcing / Offshoring

FT, Ch. 7

Section X. Trade and Trading System: Issues on Developing Countries

FT, Ch. 9 (pp. 325-339) and Ch. 10 (pp. 355-360)

Krugman, Paul R. and Maurice Obstfeld, *International Trade: Theory and Policy*,
8th edition (Addison-Wesley, 2008), Ch. 10, pp. 250-265

Section XI. Trade, Labor, and Environment
FT, Ch. 11 (pp. 391-393, 406-427)