

Trade, Competition, and Governance in a Global Economy

(revised 10/26/08)

1. INTRODUCTION

This course provides an introduction to international trade policy. Its purpose is to provide students with an understanding of international trade theory, rules, politics and institutions and the major policy issues facing the global trading system. The first part of the course presents a treatment of the theory of international trade. It explores 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 second part of the course deals with the World Trade Organization, and how U.S. trade policy is conducted. It explores negotiation mechanisms and principles and the rules relating to market access, dispute settlement, fair trade, safeguards and trade-related intellectual property, (TRIPs). The third part considers major issues facing the trading system. These include regional trading arrangements, foreign investment and national security concerns, China's entry into the WTO and health and safety concerns associated with trade.

The aim of this course is to provide an analytical background for those who plan to go into government service, international organizations and agencies, businesses involved in the global economy, nongovernmental organizations with international foci, and consulting firms analyzing international trade policy issues.

Only those who are comfortable with graphical – and to a lesser degree algebraic – analysis should enroll in this course. It requires some immersion in relevant economic theory, although some time is devoted to institutional descriptions.

2. OFFICE HOURS

- M 2-4 in 1225 Observatory Drive Associate Director's Office, Tel: 263-1802
- Additional office hours may take place in Social Sciences Bldg, Rm. 7418, Tel: 262-7397
- e-mail: mchinn@lafollette.wisc.edu
- Office hours, along with other updated information, will be posted on the course website, http://www.ssc.wisc.edu/~mchinn/web856_f08.html.

3. SCHEDULE AND READINGS

The texts are Rob Feenstra and Alan Taylor, *International Trade* (Worth Publishers) [FT], and Charan Devereaux, Robert Z. Lawrence and Michael D. Watkins, *Case Studies in US Trade Negotiation*, Volumes 1 and 2 (Peter G. Peterson Institute for International Economics, 2006) [DLWI and DLWII, respectively], both available at the University Bookstore. Additional required readings will be assigned during the semester; some of these will be in a reader, and some from the Web.

| LEC. | DATE | TEXTS | READINGS* | TOPICS |
|-------------|--------------------------|---------------------|------------------|--|
| 1-2 | 9/3-8 | FT1 | Fmn, Lmr | Introduction |
| 3-4 | 9/10-15 | FT2 | | Ricardian model |
| 5-7 | 9/17-24 | FT4 | | Factor endowment model |
| 8-10 | 9/29-10/6 | FT6 | | Imperfect competition |
| 11 | 10/8 (Wednesday) | | | Midterm 1 |
| 12 | 10/13 | FT8 | | Trade policy |
| 13 | 10/15 | FT9.1-3 | Cr1 | Trade policy |
| 14 | 10/20 | FT6.4, 9.4 DLWI1 | Cr2 | Dumping & antidumping |
| 15 | 10/22 | DLWI2 DLWII4 | | Countervailing duties, escape clauses |
| 16 | 10/27 | FT11.1 | CBO | Preferential trading arrangements |
| 17-18 | 10/29-11/3 | FT10.5 | | Strategic trade policy |
| 19-20 | 11/5-10 | FT5 | | Immigration, FDI |
| 21 | 11/12 (Wednesday) | | | Midterm 2 |
| 22 | 11/17 | DLWI3,4 | CRS | GATS, TRIPS, Investment |
| 23-24 | 11/19-24 | FT7 | BJS | Trade and income distribution |
| 25 | 11/26 | | FH | Off-shoring |
| 26 | 12/1 | FT10.1-4, DLWII5 | | Developing country issues, agric. |
| 27 | 12/3 | DLWI6 | IMF | China |
| 28 | 12/8 | FT11.2-4 | CT | Trade, growth, environment |
| 29 | 12/10 | DLWIII,6 | | Health and safety standards |

*Readings (available from the course website):

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| Fmn | Friedman, "It's a Flat World, After All," NYT Magazine (April 3, 2005) |
| Lmr | Leamer, "A Flat World, a Level Playing Field, . . .," paper, forthcoming <i>JEL</i> . |
| Cr1 | Crowley, "An introduction to the WTO and GATT," <i>Economic Perspectives</i> 2003Q4. |
| Cr2 | Crowley, "The worldwide spread of antidumping protection," <i>Chicago Fed Letter</i> No. 198 (2004). |
| CBO | CBO, "The pros and cons of pursuing free-trade agreements," <i>Economic and budget issue brief</i> (July 2003). |
| CRS | Jackson, "Foreign Direct Investment," CRS Report RL33984 (April 2007). |
| BJS | Bernard, Jensen and Schott, 2004, "Facing the Dragon: Prospects for U.S. Manufacturers in the Coming Decade," mimeo. |
| FH | Feenstra and Hanson, 2001, "Global Production Sharing and Rising Inequality," forthcoming, <i>Handbook of International Trade</i> . |
| IMF | Rumbaugh and Blancher, 2004, "China: International Trade WTO Accession," <i>IMF Working Paper</i> WP/04/36. |
| CT | Copeland and Taylor, 2003, "Trade, Growth and the Environment," forthcoming <i>Journal of Economic Literature</i> . |

4. GRADING

Letter grading is determined as follows:

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| 10% | Problem sets |
| 50% | Two midterm exams (25% each) |
| 40% | Term paper |

There will be no make-up midterm exams. Missed midterm exams will increase accordingly the weight assigned to the other midterm and the term paper. The problem sets are an integral part of the course. Assignments will be handed into me in lecture on the appropriate date. Late assignments will not be accepted for credit. Although the problem sets do not constitute a large portion of the grade, I strongly encourage you to do the assignments in a timely and serious fashion. The problem sets provide valuable information regarding your grasp of the concepts.

5. THE TERM PAPER

A 15 page term paper will be due at the end of the semester. The paper will be structured as a memo written for a policymaker. You will have latitude in terms of the choice of topic. However, I will be able to give you more guidance on certain topics than others. Additional details regarding this assignment, along with suggested readings, will be provided later in the term.