

## **Trade, Competition, and Governance in a Global Economy**

(Preliminary -- subject to revision)

### **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. 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, China's entry into the WTO and the Doha Development Agenda.

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 policy issues.

Only those who are comfortable with algebraic and graphical analysis should enroll in this course. It requires sustained immersion in relevant economic theory, and does not present a primarily descriptive or historical approach.

### **2. OFFICE HOURS**

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Office hours, along with other updated information, will be posted on the course website, <http://www.ssc.wisc.edu/~mchinn/web856.html>.

### **3. SCHEDULE AND READINGS**

The textbook is Paul R. Krugman and Maurice Obstfeldt, *International Economics: Theory and Policy*, Sixth Edition (Addison-Wesley, 2003) [KO] 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.	DATES	TEXT	READINGS*	TOPICS
1	9/8	KO1		Introduction
2-3	9/13-15	KO2		Ricardian model
4-6	9/.20-27	KO4		Factor endowments
7-10	9/29-10/11	KO6		Imperfect competition
11	10/13	KO8		Trade policy
<b>12</b>	<b>10/18</b>			<b>Midterm 1</b>
13	10/20	KO8,9	Cr1	Trade policy
14	10/25		CRS, Cr2	Antidumping
15	10/27		HG	Countervailing duties, escape clauses
16	11/1			Section 301
17-18	11/3-8	KO, pp. 243-7	CBO	Preferential trading arrangements
19-20	11/10-15	KO11(to p.283)		Strategic trade policy
21	11/17			TRIPS
22-23	11/22-24	KO, pp. 283-87	Kle, BJS	Trade and US income distribution
24	11/29		FH, BPS	Off-shoring
<b>25</b>	<b>12/1</b>			<b>Midterm 2</b>
26	12/6	KO10, pp.287-88	Kr	Developing country issues
27	12/8		IMF	China
28-29	12/13-15		Fr, CT	Trade, growth and the environment

**\*Readings**

Cr1	Crowley, 2003, "An introduction to the WTO and GATT," <i>Economic Perspectives</i> 2003Q4.
CRS	Cooper, 2003, "Trade Remedy Law Reform in the 108th Congress," CRS Report for Congress RL30461.
Cr2	Crowley, 2004, "The worldwide spread of antidumping protection," <i>Chicago Fed Letter</i> No. 198.
HG	Hufbauer and Goodrich, 2003, "Next move in steel" <i>International Economics Policy Briefs</i> PB03-10.
CBO	CBO, 2003, "The pros and cons of pursuing free-trade agreements," <i>Economic and budget issue brief</i> .
Kle	Lori Kletzer, 2003,
BJS	Bernard, Jensen and Schott, 2004, "Facing the Dragon: Prospects for U.S. Manufacturers in the Coming Decade."
FH	Feenstra and Hanson, 2001, "Global Production Sharing and Rising Inequality" <i>NBER Working Paper</i> No. 8372.
BPS	Bhagwati, Panagariya and Srinivasan, 2004,
Kr	Krugman, 1997, "What should trade negotiations negotiate about?" <i>JEL</i> 35: 113-120.
IMF	Rumbaugh and Blancher, 2004, "International Trade and the Challenges of WTO Accession," in Prasad (ed.), <i>China's Growth and Integration into the World Economy Prospects and Challenges</i> , Occasional Paper 232 (IMF).
Fr	Frankel, 2003, "The Environment and Globalization," <i>NBER Working Paper</i> No. 10090
CT	Copeland and Taylor, 2003, "Trade, Growth and the Environment," <i>NBER Working Paper</i> No. 9823

#### **4. GRADING**

Letter grading is determined as follows:

- 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.