

DRAFT: September 7, 2004

**PUAF 700**  
**U.S. Trade: Policy and Politics**  
Fall 2004  
Wednesday, 4:15-6:45 pm, Room 1101VM

Professor I. M. (Mac) Destler  
Van Munching Hall 4107  
phone: 301-405-6357  
fax: 301-403-8107

*mdestler@umd.edu*  
*<http://www.publicpolicy.umd.edu/faculty/destler>*  
Office hours: Wed 2-3; Thurs 11-12\*

The United States is the world's largest economy, and the most important force in global trade. Thus US trade policies have enormous impact on the world economic order. But they are driven by US domestic processes and politics. This course focuses on the economics, politics, and laws shaping United States trade policy. Among the topics it highlights are:

- the growing internationalization of the American economy;
- the simultaneous engagement of the United States in global, regional, and bilateral negotiations to reduce trade barriers;
- the shaky political base for such negotiations;
- the record US trade deficit—its causes and effects;
- the impact of the World Trade Organization;
- the US trade relationship with China; and
- the broad controversy over “globalization.”

Students taking the course should have some prior exposure to micro- and macroeconomics, and to American politics

The course is divided into two unequal parts. The first eleven weeks will be devoted to giving students a solid grounding in the major elements and issues of trade policy. At the twelfth class session there will be an exam, which will count for roughly 60 percent of students' final grades. In Part II, the final three weeks, we will examine interesting books which offer broad vantagepoints on trade policy and institutions. We will need to reschedule the class of November 24<sup>th</sup> (Thanksgiving eve).

Course requirements: There will be an examination at the end of Part I, which will account for about 60 percent of students' grades. Each student will also write two short (5-page) papers and make two brief seminar presentations. Detailed instructions will be distributed in class and posted to the professor's website. Also available there will be the schedule of student presentations and copies of prior exams.

*\*NOTE: These office hours will prevail most of the time. I will try to provide advance notice, in seminar or by email, if I will not be in at the standard time. Students are also welcome to make appointments, or drop in, at other times. I post my schedule on the door of my office.*

Readings: Students should acquire copies of the following books:

TO BE PURCHASED:

Claude Barfield, *Free Trade, Sovereignty, Democracy: The Future of the World Trade Organization*, (AEI Press, 2001), OR

Amy Chua, *World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability* (Anchor Books, 2004)..

I. M. Destler, *American Trade Politics*, Third Edition (Institute for International Economics [IIE] & Twentieth Century Fund, 1995). Draft chapters of the 4<sup>th</sup> edition will be distributed separately.

Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?* (IIE, 1999).

Frederick Mayer, *Interpreting NAFTA: The Science and Art of Policy Analysis* (Columbia University Press, 1998).

Dani Rodrik, *Has Globalization Gone Too Far?* (IIE, 1997).

AVAILABLE AT REDUCED PRICES THROUGH THE INSTRUCTOR:

*Economic Indicators*, Prepared for the Joint Economic Committee by the Council of Economic Advisers, July 2004 no charge—distributed at first class  
<http://www.gpoaccess.gov/indicators/04julbro.html>

US International Trade Commission, *The Year in Trade 2003* (USITC Publication 3700, July 2004), available from instructor on CD and/or accessible on the web  
(<http://www.usitc.gov/pub3700/pub3700.htm>).

One bound photocopy volume containing other listed readings, available around the second class session. All students should acquire this and bring it to class when readings therein are being discussed.

Other readings to be added, some distributed in seminar, some accessible via the internet, some for purchase. And students should connect periodically to websites such as: [wto.org](http://wto.org); [usitc.gov](http://usitc.gov), [ustr.gov](http://ustr.gov), [iie.com](http://iie.com), [freetrade.org](http://freetrade.org), [ceip.org](http://ceip.org), [aflcio.org](http://aflcio.org), [citizen.org/trade](http://citizen.org/trade), and [makegradefair.com](http://makegradefair.com).

## PART I. POLICY AND POLITICS: MAJOR TOPICS

September 1: Trade Numbers and Their Meaning (materials to be distributed in class)

References: Nell Henderson, "U.S. Trade Deficit Increased 19% in June," *Washington Post*, August 14, 2004, p. E01.

"U.S. Merchandise Trade Balances, 1980-2004," and "United States, EU, Japan, China, Mexico--Some Comparisons": tables prepared by the instructor.

U.S. Joint Economic Committee, *Economic Indicators*, July 2004.

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: June 2004*, Summary and Exhibits 1-2, 6, and 14..

(<http://www.census.gov/foreign-trade/Press-Release/2004pr/06/ftdpress.pdf>)

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: Annual Revision for 2003*, Exhibit 13.

([http://www.census.gov/foreign-trade/Press-Release/2003pr/final\\_revisions/](http://www.census.gov/foreign-trade/Press-Release/2003pr/final_revisions/))

September 8: U.S. Trade Politics: The Basic System

Reading: Destler, *American Trade Politics*, preface and chaps 1-5 and 7.

September 15: Trade, Exchange Rates, and Macroeconomics

Readings: Mann, *Deficit Sustainable?*, chaps 1, 2, 6 & 9.

C. Fred Bergsten and John Williamson, *Dollar Overvaluation and the World Economy* (Institute for International Economics, 2003), Overview (Bergsten-Williamson) and chap. 4 (Destler).

U.S. Council of Economic Advisers, "The Link Between Trade and Capital Flows," *Economic Report of the President*, February 2004, chap. 14 (pp.253-64).

Review trade balance data distributed September 1<sup>st</sup>.

September 22: Trade and Microeconomics

Readings: C. Fred Bergsten, Kimberly Ann Elliott, Jeffrey J. Schott, and Wendy E. Takacs, *Auction Quotas and United States Trade Policy* (IIE, 1987), chap. 2 (pp. 13-30).

Mann, *Deficit Sustainable?* chap. 3.

Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy* (Addison-Wesley, 5th edition, 2000), chap. 2. (NOTE: This will be available, independent of the reading pack, to those students who do not already have access to it. Students may also use the 4<sup>th</sup> or 6<sup>th</sup> edition.)

CEA, "International Trade and Cooperation," *Economic Report of the President*, February 2004, pp. 223-37.

September 29: Coping with Imports: Safeguards and Antidumping

Readings: Destler, *ATP*, chap. 6 and pp. 240-44 (Also skim Glossary).

Destler, "The Decline of Traditional Protectionism," draft chap. 9 for *American Trade Politics*, 4<sup>th</sup> edition, 16 pp.

Edward Gresser, *America's Hidden Tax on the Poor: The Case for Reforming U.S. Tariff Policy*, Progressive Policy Institute Policy Report, March 2002, and *Toughest on the Poor: Trade, Taxes, and the Single Mom*, PPI Policy Report September 2002.

Brink Lindsey and Dan Ikenson, "Antidumping 101: The Devilish Details of 'Unfair Trade' Law," pp. 1-22 and 28-29, Cato Institute Policy Analysis, November 23, 2002.

United States International Trade Commission, *The Year in Trade 2003*, chap. 2, pp. 1-3, 11-14, 16-25; and Tables A-1 through A-5.

October 6: Coping with Imports: Textiles and Apparel

Readings: Hildegun Kyvik Nordas, "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing," World Trade Organization, Discussion Paper Number 5, 2004, 34pp.

Craig VanGrasstek, "U.S. Policy in Textile and Apparel Trade: From Managed Protection to Managed Liberalization," October 23, 2003, 34pp

USITC, *Year in Trade 2003*, chap. 2, pp. 25-35,

October 13: Coping With Imports: Adjustment

Readings: Lori G. Kletzer, *Job Loss from Imports (IIE, 2001)*, chaps. 1 and 7.

Lori G. Kletzer and Robert Litan, *A Prescription to Relieve Worker Anxiety*, Policy Brief 01-2, Institute for International Economics, available on the web at: <http://www.iie.com/publications/pb/pb01-2.htm>.

Lori G. Kletzer and Howard Rosen, "Honoring the Commitment: Assistaing US Workers Hurt by Globalization," Draft, August 17, 2004, 22 pp.

J. David Richardson, "Global Forces, American Faces: U.S. Economic Globalization at the Grass Roots," DRAFT: Not for Citation, August 2004, 51 pp.

Program on International Policy Attitudes, *Americans on Globalization, Trade, and Farm Subsidies*, pp. 1-2 and 9-20 (International Trade), January 22, 2004.

USITC, *Year in Trade 2003*, chap. 2, pp. 3-7.

October 20: The Broadening Agenda, Esp. Trade and the Environment

Destler, "New Issues, New Adversaries," draft chap. 10 for *American Trade Politics*, 4<sup>th</sup> edition, 22 pp.

Kimberly Ann Elliott, Debayani Kar, and J. David Richardson, "Assessing Globalization's Critics: 'Talkers are No Good Doers???' IIE Working Paper 02-5. ([www.iie.com/publications/wp/2002/02-5.pdf](http://www.iie.com/publications/wp/2002/02-5.pdf)).

Elliott, "Labor Standards, Development, and CAFTA," IIE Policy Brief PB04-2, March 2004, 11 pp.

Gary Clyde Hufbauer and Jeffrey J. Schott, *North American Environment Under NAFTA*, Institute for International Economics website, October 2002.

Public Citizen's Global Trade Watch, "The GMO Dispute."

U.S. Trade Representative and U.S. Department of Agriculture, "U.S. and Cooperating Countries file WTO Case Against EU Moratorium on Biotech Foods and Crops," May 13, 2003.

Gilbert R. Winham, "International Regime Conflict in Trade and Environment: The Cartagena Protocol and the WTO," Dalhousie University, September 2002.

October 27: Trade Authority and Trade Negotiations

Readings: Destler, *ATP*, chap. 9.

Destler, "Partisan Rancor and Trade Politics: The 'Victory' of 2001-2002," draft chap. 11 for *American Trade Politics*, 4<sup>th</sup> edition, 21 pp.

C. Fred Bergsten, "A Renaissance for U.S. Trade Policy?" *Foreign Affairs*, November-December 2002, pp. 86-98.

Jeffrey J. Schott, "Assessing US FTA Policy," chap. 13 (23 pp.) in Schott, editor, *Free Trade Agreements: US Strategies and Priorities* (IIE, 2004).

Lori Wallach, "Midsummer Night's Massacre," Public Citizen, July 27, 2002, <http://www.citizen.org/pressroom/release.cfm?ID=1172>.

Jaime Zabludovsky, "The Long and Winding Road to Hemispheric Integration: Ten Key Elements to Understand the FTAA," Inter-American Dialogue (Linowitz Forum), May 2004, 11 pp.

Robert B. Zoellick, "Globalization, Trade, and Economic Security," Remarks at the National Press Club, October 1, 2002.

November 3: The Doha Round and the WTO

John H. Jackson (and discussants), "The Role and Effectiveness of the WTO Dispute Settlement Mechanism," *Brookings Trade Forum 2000*, edited by Susan M. Collins and Dani Rodrik (Brookings, 2001), pp. 179-235.

Jeffrey J. Schott, "Reviving the Doha Round", Institute for International Economics, May 2004, 7 pp..

USITC, *Year in Trade*, chap 3, pp. 1-9.

Oxfam, "Rigged Rules and Double Standards: Trade, Globalization, and the Fight Against Poverty," Spring 2002.

<http://www.maketradefair.com/stylesheet.asp?file=03042002121618&cat=2&subcat=6&select=1>

"Public Citizen Condemns Process, Outcome of Geneva WTO Framework Talks," Aug. 2, 2004, (<http://www.citizen.org/pressroom/release.cfm?ID=1759>).

World Trade Organization, Doha Ministerial Declaration, November 14, 2001.

World Trade Organization, "Doha Work Programme: Decision Adopted by the General Council on 1 August 2004," (WT/L/579, 2 August 2004), 20 pp.

WTO website, "Understanding the WTO: Settling Disputes."

([http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/disp1\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm)) Also browse the WTO website ([wto.org](http://www.wto.org)) generally.

November 10: China

Readings: Gary Clyde Hufbauer and Yee Wong, *China Bashing 2004*, IIE Policy Brief PB04-5, August 2004 (28pp. plus notes).

USITC, *Year in Trade 2003*, chap. 5, pp. 19-23; Tables A-28 through A-33.

USTR, *2004 National Trade Estimate Report on Foreign Trade Barriers*, pp. 57-95 (China)

Robert B. Zoellick, "China and America: Power and Responsibility," Address to the Asia Society, February 25, 2004, 9 pp.

November 17: Examination

## **PART TWO: THREE CRITICAL PERSPECTIVES**

November 23, 12-2:30pm: Breaking the Social Contract?

Reading: Dani Rodrik, *Has Globalization Gone Too Far?*

December 1, 4-8:00pm:

1) Reading Why Did NAFTA Happen?

: Frederick Meyer, *Interpreting NAFTA*.

2) Reading: Political Backwash?

Amy Chua, *World on Fire*