

DRAFT: September 1, 2006

PUAF 700
U.S. Trade: Policy and Politics
Fall 2006
Wednesday, 4:15-6:45 pm, Room 1101VM

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Office hours: Wed 2-3; Thurs 11-12*

The United States possesses the world's largest economy, and is 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 US engagement in global, regional, and bilateral trade negotiations;
- the shaky political base for such negotiations, and the process for managing them;
- 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 ten weeks aim to provide students a solid grounding in the major elements and issues of trade policy. At the eleventh class session there is an exam, which will count for roughly 60 percent of students' final grades. In Part II, the final four weeks, we will read interesting books which offer broad vantagepoints on trade policy and institutions. We will need to reschedule the class of November 23rd (Thanksgiving eve).

Course requirements: There will be a two-hour examination at the end of Part I. 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 five books (plus one more to be selected):

TO BE PURCHASED:

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*, 4th Edition (Institute for International Economics [IIE] 2005).

Gary Clyde Hufbauer, Yee Wong, and Ketki Sheth, *US-China Trade Disputes: Rising Tide, Rising Stakes* (IIE, Policy Analysis 78, August 2006). NOTE: THE MAIN CHAPTERS CAN BE ACCESSED AT iie.com.

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

Pietra Rivoli, *The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power and Politics of World Trade* (John Wiley and Sons, 2005).

Recommended: C. Fred Bergsten and the Institute for International Economics, *The United States and the World Economy: Foreign Economic Policy for the Next Decade* (IIE, 2005). Assigned chapters from this book will, however, be included in the bound collection of readings (see below).

AVAILABLE THROUGH THE INSTRUCTOR:

Economic Indicators, Prepared for the Joint Economic Committee by the Council of Economic Advisers, July 2005, no charge—distributed at first class
<http://www.gpoaccess.gov/indicators/05julbro.html>

One bound photocopy volume containing other listed readings, available for purchase 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; usitc.gov, ustr.gov, iie.com, freetrade.org, ceip.org, aflcio.org, citizen.org/trade, and maketradefair.com.

PART I. POLICY AND POLITICS: MAJOR TOPICS

August 30: Trade Numbers and Their Meaning (materials to be distributed in class)

References: "U.S. Merchandise Trade Balances, 1980-2006," and "US Merchandise Trade With. . . .In 2005": tables prepared by the instructor.

U.S. Joint Economic Committee, *Economic Indicators*, July 2006.

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: June 2006*, Summary and Exhibits 1-2, 6, and 14.

(http://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf)

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: Annual Revision for 2005*, Exhibit 13 (Annual Totals).

(http://www.census.gov/foreign-trade/Press-Release/2005pr/final_revisions/)

September 6: U.S. Trade Politics: The Basic System

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

September 13: Trade, Exchange Rates, and Macroeconomics

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

Richard N. Cooper, "Living With Global Imbalances: A Contrarian View," Policy Brief 05-03, Institute for International Economics, November 2006, pp. 1-6.

Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?* (Institute for International Economics, 1999), pp. 1-9 and 77-93.

Michael Mussa, "Sustaining Global Growth while Reducing External Imbalances," in Bergsten et al, *US and World Economy*, pp. 175-207.

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

Review trade balance data distributed August 30th.

September 20: 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?* pp. 29-44.

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 4th or 6th edition.)

CEA, "Modern International Trade," *Economic Report of the President*, February 2005, pp. 173-82.

September 27: Coping with Imports: Trade Protection

Readings: Destler, *ATP*, chaps 6 and pp. 233-42 and 246-52. (also skim Glossary).

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.

SKIM THE FOLLOWING:

United States International Trade Commission, *The Year in Trade 2005* (weblink and pub data to be supplied), chap. 2, pp. 1-2 and 9-11 and Tables A-4 to A-7.

CEA, "The History and Future of International Trade," *Economic Report of the President*, February 2006, pp. 149-71.

October 4: China

Readings: Destler, *ATP*, pp. 211-13 and 274-77

Cooper, "Living With Global Imbalances," pp. 6-10.

Gary Clyde Hufbauer, Yee Wong, and Ketki Sheth, *US-China Trade Disputes: Rising Tide, Rising Stakes*, IIE Policy Analysis 78, August 2006, 80pp. plus appendices).

Nicholas R. Lardy, "China: The Great New Economic Challenge?" in Bergsten et al, *US and World Economy*, pp. 121-41.

FOR REFERENCE:

USITC, *Year in Trade 2005*, chap. 5, pp. 14-20; Tables A-28 through A-30.

October 11: The New American Trade Politics

Destler, *ATP*, chs. 10 & 11 & Appendix..

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

Jeffrey J. Schott, "Confronting Current Challenges in US Trade Policy," in Bergsten et al, *US and World Economy*, pp.247-59.

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

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

Robert B. Zoellick, "So What is There to Cover? Globalization, Politics, and the U.S. Trade Strategy," Address in Phoenix, AZ, April 30, 2002.

October 18: The World Trade Organization and the Apparent Demise of the Doha Round

Readings re WTO: Destler, *ATP*, pp. 208-211, 216-30, and 242-46

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.

WTO website, "Understanding the WTO: Settling Disputes." (http://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm) Also browse the WTO website (wto.org) generally.

re Doha: Kimberly Ann Elliott, "Can Doha Still Deliver on the Development Agenda?" IIE Policy Brief 06-5, June 2006, 8 pp.

Elliott, *Delivering on Doha: Farm Trade and the Poor* (IIE, 2006), pp. 13-23, 35-61, 91-113.

Gary Clyde Hufbauer and Jeffrey J. Schott, "The Doha Round After Hong Kong," IIE Policy Brief 06-2, February 2006, 9 pp.

Pascal Lamy, "Time Out Needed to Review Options and Positions," Statement to Heads of Doha Delegations, July 24, 2006.

Oxfam, "Agricultural Trade Policy in Developing Countries during take-off," 21 July 2006,
(http://www.oxfam.org/en/policy/briefingnotes/stockbridge_trade_report)

Public Citizen, "WTO Deadlock Good News for Consumers and Food Safety," July 31, 2006.
(http://www.insidetrade.com/secure/pdf9/wto2006_4749a.pdf)

Shri Kamal Nath (Indian Minister of Commerce and Industry), "Developing Countries Urge Real Cuts in Trade Distorting Subsidies of Developed Countries—Negotiations Suspended," July 25, 2006.
(http://www.insidetrade.com/secure/pdf9/wto2006_4605.pdf)

Susan C. Schwab and Mike Johanns, "Transcript of Evening Press Availability on the Doha Development Agenda," July 24, 2006
(http://www.ustr.gov/Document_Library/Transcripts/2006/July/Transcript_of_Evening_Press_Availability_on_the_Doha_Development_Agenda_with_Ambassador_Susan_C_Schwab_Mike_Johanns_Secret.html)

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

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

WTO, "Talks Suspended. 'Today There are Only Losers,'" WTO News, July 24, 2006.

October 25: Free-Trade Agreements: Alternative to the WTO?

C. Fred Bergsten, "Competitive Liberalization and Global Free Trade: A Vision for the Early 21st Century," IIE Working Paper 96-15, 1996, 17pp.

Bergsten, "Plan B for World Trade: Go Regional," *Financial Times*, August 16, 2006.

Destler, *ATP*, pp. 197-206. (review pp. 96-101, 134-35, and 298-302)

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

Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA Revisited: Achievements and Challenges* (IIE, 2005), pp. 1-25, 38-44, 54-56, 61-63.

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

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.

Review Zoellick, "So What Is There to Cover?"

November 1: Trade Adjustment at Home: The Answer??

Readings: Destler, *ATP*, ch. 12.

Lori G. Kletzer and Howard Rosen, "Easing the Adjustment Burden on US Workers," in Bergsten et al, *US and World Economy*, pp. 313-41.

J. David Richardson, "Global Forces, American Faces: U.S. Economic Globalization at the Grass Roots," DRAFT: Not for Citation, August 2005.

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 2005*, chap. 2, pp. 2-5.

November 8: Examination

PART TWO: FOUR CRITICAL PERSPECTIVES

November 15: More Than You Wanted to Know About What You Wear

Reading: Pietra Rivoli, *The Travels of a T-Shirt in the Global Economy*.

November 22 (to be rescheduled):

Reading: to be selected

November 29: Why Did NAFTA Happen?

Reading:: Frederick Meyer, *Interpreting NAFTA*.

December 6: Political Backwash?

Amy Chua, *World on Fire*.