

DRAFT: September 18, 2002

**PUAF 700**  
**U.S. Trade: Policy and Politics**

Fall 2002  
Wednesday, 4:15-6:45 pm

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This course applies political and economic analysis to United States trade policy. It is centered on the current situation: the growing internationalization of the American economy; the simultaneous engagement of the United States in global and hemispheric negotiations to reduce trade barriers, following on the Bush administration's narrowly-won grant of trade negotiating authority from Congress. It will focus also on the record the US trade deficit—its causes and effects—and on the broad controversy over “globalization.” All of these put pressures on US trade policy institutions; and the policy tools available to officials seeking to influence the balance, magnitude, and composition of imports and exports. 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 the global economy.

ISEP Master's students expecting to graduate during this academic year can take PUAF 700 in lieu of 781 to fulfill the international economics requirement. So the content has been broadened: a week will be devoted to problems of economic stabilization in Argentina and Brazil, and the books chosen for Part II give particular emphasis to financial issues.

Course requirements: There will be an examination at the end of Part I. Each student will also write two short (5-page) papers and make two brief seminar presentations. Details will be distributed in class and posted to the professor's website.

*\*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 (IIE books\* can be purchased at a discount through [www.iie.com](http://www.iie.com)):

Claude Barfield, *Free Trade, Sovereignty, Democracy: The Future of the World Trade Organization*, (AEI Press, 2001) (hardcover available at paperback price)

Paul Blustein, *The Chastening: Inside the Crisis that Rocked the Global Financial System and Humbled the IMF* (PublicAffairs Press, 2001).

\*I. M. Destler, *American Trade Politics*, Third Edition (Institute for International Economics [IIE] & Twentieth Century Fund, 1995) and “Supplement” [Destler and Peter J. Balint, *The New Politics of American Trade: Trade, Labor, and the Environment*, IIE, November 1999].

\*Lori G. Kletzer, *Job Loss from Imports: Measuring the Costs* (IIE, 2001)

\*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 2002, no charge.  
<http://www.gpo.gov/congress/eibrowse/broecind.html>

Michael Mussa, *Argentina and the Fund: From Triumph to Tragedy* (IIE, July 2002).

US International Trade Commission, *The Year in Trade 2001* (USITC Publication 3510, May 2002) to be ordered (no cost) by each student by sending a fax request to 202-205-2104) or accessed on the web ([www.usitc.gov](http://www.usitc.gov)).

One bound photocopy volume containing other listed readings, available around the third class session at a cost of \$15-\$20. All students should acquire this and bring it to class when readings therein are being discussed.

Other readings to be distributed intermittently, or can be reached via the internet.

## PART I. POLICY AND POLITICS: MAJOR TOPICS

September 4: Trade Numbers and Their Meaning

References: "U.S. Merchandise Trade Balances, 1980-2002"; and "United States, EU, Japan, China, Mexico--Some Comparisons," tables prepared by the instructor.

Joint Economic Committee, *Economic Indicators*, July 2002.

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: June 2002*, Summary and Exhibits 1-2, 6, and 14, and pp 26-30. ([www.census.gov/foreign-trade/](http://www.census.gov/foreign-trade/))

September 11: Trade, Exchange Rates, and Macroeconomics

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

Charles L. Schultze, *Memos to the President: A Guide Through Macroeconomics for the Busy Policymaker* (Brookings Institution, 1992), pp. 96-119.

U.S. Council of Economic Advisers, *Economic Report of the President*, February 2002, pp. 251-65, 268-70. ([www.whitehouse.gov/cea/pubs.html](http://www.whitehouse.gov/cea/pubs.html))

Destler, *American Trade Politics*, pp. 41-44, 54-61, 269-75.

September 18: Global Macroeconomics and the International Monetary Fund

Mussa, *Argentina and the Fund*, entire.

John Williamson, *Is Brazil Next?* (IIE Policy Brief, August 2002), to be distributed.

*Economic Report of the President*, pp. 281-300 (suggested).

September 25: U.S. Trade Politics: The System Until Recently

Reading: Destler, *American Trade Politics*, preface and chs 1-5 and 7-8.

October 2: 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), ch. 2 (pp. 13-30).

Mann, ch. 3.

*Economic Report of the President*, pp. 265-68.

Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy* (Addison-Wesley, 5th edition, 2000), ch. 2. (NOTE: This will be available, independent of the reading pack, to those students who do not already have access to it.)

October 9: Coping with Imports: Safeguards, Antidumping, and Steel

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

George W. Bush, "Report Submitted to the United States Congress Pursuant to Section 203(a)(1) of the Trade Act of 1974, as amended," March 5, 2002 (on imposing steel tariffs), 7 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.

Gary Clyde Hufbauer and Ben Goodrich, *Time for a Grand Bargain in Steel?*, International Economics Policy Brief, January 2002, available on IIE website: <http://www.iie.com/policybriefs/news02-1.htm>.

Dan Ikenson, *Steel Trap: How Subsidies and Protectionism Weaken the U.S. Steel Industry*, Cato Institute, March 1, 2002, 12 pp.

Tomoyuki Sho, "Antidumping Cases in the United States, 1980-2001."

U.S. Department of Commerce, "Fact Sheet: Exclusion of Products from Safeguard on Steel Products," August 22, 2002, 3 pp.

United States International Trade Commission, *The Year in Trade 2001*, chapter 5, skim pp. 1-4, 12-17, 25-32, and 37-38.

October 16: Coping With Imports: Adjustment

Readings: Kletzer, *Job Loss from Imports*, entire.

Lori 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/policybriefs/news01-2.htm>

USITC, *Year in Trade 2001*, chapter 5, pp. 4-8.

*Economic Report of the President*, pp. 272-74.

Howard Rosen, "The Trade Adjustment Assistance Report Card."

October 23: Expanding Exports: The WTO

Readings: Destler, pp. 217-21, 231-57.

Barfield, *Free Trade, Sovereignty, Democracy*, main text.

*Economic Report of the President*, pp. 275-81.

USITC, *Year in Trade*, chap. 2, pp. 20-21, chap. 5, pp. 8-12.

October 30: Expanding Exports: TPA, Doha, FTAA, et al: Initiatives and Controversies

John Audley and Ann M. Florini, "Overhauling the WTO: Opportunity at Doha and Beyond," Policy Brief #6, Carnegie Endowment for International Peace, October 2001. Available on the web at:  
<http://www.ceip.org/files/Publications/policybrief6.asp?p=43&from=pubdate>

Kamal Malhotra, *Doha: Is It Really a Development Round?* Carnegie Endowment for International Peace, May 2002, on the website at:  
[http://www.ceip.org/files/Publications/TED\\_1.asp](http://www.ceip.org/files/Publications/TED_1.asp).

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>

Jeffrey Schott, "Reflections on the Doha Ministerial," Institute for International Economics, January 2002, and "US Trade Policy: Method to the Madness?" IIE, September 2002..

Schott, *Prospects for Free Trade in the Americas* (IIE, 2001), chaps 1, 3 & 4.

Destler, "The Politics and Economics of Fast-Track," remarks prepared for delivery to Friends of the GIC, Philadelphia, September 11, 2002.

U.S. Department of Agriculture and U.S. Trade Representative, "Administration Unveils Comprehensive U.S. Trade Proposal to Expand American Farmers' Access to Overseas Markets," July 25, 2002.

U.S. Trade Representative, "Contribution of the United States to the Improvement of the Dispute Settlement Understanding of the WTO Related to Transparency," August 9, 2002.

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

November 6: The "New Politics" of Trade

Destler and Balint, *New Politics of Trade*, entire.

Destler, *ATP*, pp. 218-28.

Steven Kull, *Americans on Globalization*, Program on International Policy Attitudes, University of Maryland, March 28, 2000 OR update on the web: [http://www.americans-world.org/digest/global\\_issues/intertrade/summary.cfm](http://www.americans-world.org/digest/global_issues/intertrade/summary.cfm).

Mayer, *Interpreting NAFTA*, pp. 219-56. (suggested)

November 13: Trade and the Environment

Destler and Balint, review ch. 3.

Ronald Bailey, *The Looming Trade War over Plant Biotechnology*, Cato Institute, August 1, 2002, 17pp.

*Economic Report of the President*, pp. 271-72.

Daniel C. Esty, "Economic Integration and the Environment," chap. 9 in Norman J. Vig and Regina Axelrod, editors, *The Global Environment: Institutions, Law, and Policy* (CQ Press, 1999), pp. 190-209, available on the web at: <http://www.law.yale.edu/outside/html/faculty/danesty/economic.pdf>

Howard Mann and Konrad von Moltke, "Protecting Investor Rights and the Public Good: Assessing NAFTA's Chapter 11," International Institute for Sustainable Development, Marcy 2002, 27pp.. Available on the web at: [http://www.iisd.org/trade/ILSDWorkshop/pdf/background\\_en.pdf](http://www.iisd.org/trade/ILSDWorkshop/pdf/background_en.pdf)

Manu V. Mathai, "Free Trade and Environmental Protection: Never the Twain Shall Meet?" paper for MSPA reading course, August 2002.

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

November 20: Examination

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

November 27: Breaking the Social Contract? (To be rescheduled)

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

December 4: Why Did NAFTA Happen?

Reading: Frederick Meyer, *Interpreting NAFTA*.

December 11: Globalization: A Financial Roller Coaster?

Reading: Paul Blustein, *The Reckoning*