

DRAFT: September 6, 2005

PUAF 700
U.S. Trade: Policy and Politics
Fall 2005
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 engagement of the United States in global, regional, and bilateral negotiations to reduce trade barriers;
- the shaky political base for such negotiations, and the political process through which they are managed;
- 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:

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).

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

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

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 *makegradefair.com*.

PART I. POLICY AND POLITICS: MAJOR TOPICS

August 31: Trade Numbers and Their Meaning (materials to be distributed in class)

References: Martin Crutsinger, "Oil Prices, Chinese Imports Push June Trade Deficit Skyward," *Washington Post* (AP), August 13, 2005.

"U.S. Merchandise Trade Balances, 1980-2005," and "United States, EU, Japan, China, Mexico--Some Comparisons": tables prepared by the instructor.

U.S. Joint Economic Committee, *Economic Indicators*, July 2005.

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: June 2005*, Summary and Exhibits 1-2, 6, and 14.

(<http://www.census.gov/foreign-trade/Press-Release/2005pr/06/ftdpress.pdf>)

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: Annual Revision for 2004*, Exhibit 13 (Annual Totals).

(http://www.census.gov/foreign-trade/Press-Release/2004pr/final_revisions/04final.pdf)

September 7: U.S. Trade Politics: The Basic System

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

September 14: 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).

Catherine L. Mann, *Is the U.S. Trade Deficit Sustainable?*, 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 September 1st.

September 21: 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 28: Coping with Imports: Trade Protection

Readings: Destler, *ATP*, chaps 6 and 9. (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.

United States International Trade Commission, *The Year in Trade 2004* (USITC Report 3779, July 2005), chap. 2, selected pp. 1-2 and 9-13 and Tables A-1 to A-5. http://hotdocs.usitc.gov/docs/pubs/year_in_trade/pub3779.PDF

October 5: China

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

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

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

USITC, *Year in Trade 2004*, chap. 5, pp. 19-23; Tables A-25 through A-27.

USTR, *2005 National Trade Estimate Report on Foreign Trade Barriers*, press release and pp. 72-79, 95-104, 110-12, and 117-19. (China)

October 12: 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>.

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 19: The World Trade Organization and the Doha Round

Readings: Destler, *ATP*, pp. 208-211 and 216-30. (review pp. 242-46)

Schott, "Confronting Current Challenges," Bergsten et al, pp. 259-70.

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.

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/displ_e.htm) Also browse the WTO website (wto.org) generally.

October 26: Free-Trade Agreements and "Competitive Liberalization"

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

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

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

Schott, "Confronting Current Challenges," Bergsten et al, pp. 270-79.

Jaime Zabłudovsky, "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 2: Trade Adjustment: 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 2004*, chap. 2, pp. 2-5.

November 9: Examination

PART TWO: FOUR CRITICAL PERSPECTIVES

November 16: More Than You Wanted to Know About What You Wear

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

November 23 (to be rescheduled): Breaking the Social Contract?

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

November 30: Why Did NAFTA Happen?

Reading: Frederick Meyer, *Interpreting NAFTA*.

December 7: Political Backwash?

Amy Chua, *World on Fire*.