

DRAFT: September 4, 2003

PUAF 700
U.S. Trade: Policy and Politics

Fall 2003
Wednesday, 4:15-6:45 pm

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

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; and the simultaneous engagement of the United States in global, regional, and bilateral 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 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 ten weeks will be devoted to giving students a solid grounding in the major elements and issues of trade policy. At the eleventh class session there will be an exam, which will count for roughly 60 percent of students' final grades. In Part II, the final four weeks, we will examine interesting books which offer broad vantagepoints on trade policy and the global economy.

We will need to reschedule two classes: those for October 8th (I will be in Japan) and November 26th (Thanksgiving eve). Options will be presented at an early session.

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 (IIE books* can be purchased at a discount through www.iie.com):

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

*I. M. Destler, *American Trade Politics*, Third Edition (Institute for International Economics [IIE] & Twentieth Century Fund, 1995).

*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).

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

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

One other to be added.

AVAILABLE AT REDUCED PRICES THROUGH THE INSTRUCTOR:

Economic Indicators, Prepared for the Joint Economic Committee by the Council of Economic Advisers, July 2003 no charge—distributed at first class
<http://www.gpo.gov/congress/eibrowse/broecind.html>

US International Trade Commission, *The Year in Trade 2002* (USITC Publication forthcoming September 2003) to be ordered (CD or book, no cost) by each student by sending a fax request to 202-205-2104), or accessed on the web (www.usitc.gov).

One bound photocopy volume containing other listed readings, available around the second 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 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, and citizen.org/trade/,

PART I. POLICY AND POLITICS: MAJOR TOPICS

September 3: Trade Numbers and Their Meaning (materials to be distributed in class)

References: "U.S. Merchandise Trade Balances, 1980-2003"; and "United States, EU, Japan, China, Mexico--Some Comparisons," tables prepared by the instructor.

Joint Economic Committee, *Economic Indicators*, July 2003.

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: June 2003*, Summary and Exhibits 1-2, 6, and 14, and pp 26-30.
(<http://www.bea.gov/bea/newsrel/trad0603.pdf>)

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: Annual Revision for 2002*, Exhibit 13.

September 10: U.S. Trade Politics: The System Until Recently

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

September 17: 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.

C. Fred Bergsten and John Williamson, *Dollar Overvaluation and the World Economy* (Institute for International Economics, 2003), chs. 1 (Bergsten-Williamson), 3 (Mann) and 4 (Destler).

Review trade balance data distributed September 3rd.

September 24: 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.

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. Students may also use the 4th or 6th edition.)

October 1: 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, *Steel Policy: The Good, the Bad, and the Ugly*, Institute for International Economics Policy Brief, January 2003, available on IIE website: <http://www.iie.com/policybriefs/news02-1.htm>.

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 2002*, relevant pages.

World Trade Organization, *United States – Definitive Safeguard Measures on Imports of Certain Steel Products*, Final Reports of the Panel (WTDS248/R, etc.), 11 July 2003, Table of Contents and Selected Pages.

October 8: Coping With Imports: Adjustment (to be rescheduled)

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/publications/pb/pb01-2.htm>

USITC, *Year in Trade 2002*, relevant pages

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

October 15: Expanding Exports: The WTO

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

Destler, *ATP*, pp. 217-21, 231-57.

USITC, *Year in Trade*, relevant pages.

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.

WTO website, Summary, "Understanding on Rules and Procedures Governing the Settlement of Disputes" Also browse the WTO website (*wto.org*) generally.

October 22: New Policy? New Politics?

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

I. M. Destler and Peter J. Balint, *New Politics of Trade*, chaps 1 (pp.5-13) and 4 (pp. 39-48).

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

Steven Kull, *Americans on Globalization*, Program on International Policy Attitudes, University of Maryland, March 28, 2000 OR update on International Trade,
http://www.americans-world.org/digest/global_issues/intertrade/summary.cfm

Mayer, *Interpreting NAFTA*, pp. 219-56.

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

Robert B. Zoellick, "Globalization, Trade, and Economic Security," Remarks at the National Press Clu8b, October 1, 2002.

October 29 Expanding Exports: Past and Current Negotiations

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

Doha Ministerial Declaration, November 14, 2001.

Gary Clyde Hufbauer and Ben Goodrich, *More Pain, More Gain: Politics and Economics of Eliminating Tariffs*, Institute for International Economics Policy Brief, June 2003 (available on IIE website).

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

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

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

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. International Trade Commission, *The Impact of Trade Agreements: Effect of the Tokyo Round, U.S.-Israel FTA, U.S.-Canada FTA, NAFTA, and the Uruguay Round on the U.S. Economy*, Publication 3621, August 2003, Executive Summary.

Material on Cancun Ministerial (to be added after the meetings)

November 5: Trade and the Environment

Destler and Balint, chs 3 and 5.

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.

Suggested: 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

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

November 12: Examination

PART TWO: FOUR CRITICAL PERSPECTIVES

November 19: Breaking the Social Contract?

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

November 26: Why Did NAFTA Happen? (To be rescheduled)

Reading: Frederick Meyer, *Interpreting NAFTA*.

December 3: Globalization and Argentina

Reading: Michael Mussa, *Argentina and the Fund*

December 10: ???

Reading: Brink Lindsey, *Against the Dead Hand: The Uncertain Struggle for Global Capitalism*, OR
Michael J. Hiscox, *International Trade and Political Conflict*, OR
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