

**UNIVERSITY OF WISCONSIN–MADISON**

**Public Affairs 856**

**Spring 2012**

Class: Mon/Wed 1:00pm–2:15pm

Room: **L177 Education Building**

Prof. Isao Kamata

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Office Hours: Monday 2:30pm – 4:30pm

**TRADE, COMPETITION, AND GOVERNANCE IN A GLOBAL ECONOMY**

**Course Description:**

This course provides an introduction to international trade policy. The aim of the course is to provide you with an understanding of international trade theory, rules, institutions, and the major policy issues facing the global trading system.

The course presents a treatment of the theory of international trade to explore the rationale for free trade, the distributional impact of trade, the impact of tariffs and quotas, and the challenges presented by deeper international economic integration. The course also deals with the national and international institutions of trade and trade policy, especially the GATT/WTO, to investigate principles, rules and agreements relating to major trade policies such as safeguards, anti-dumping, and subsidies and countervailing duties. The course, toward the end, discusses issues in the world trading system including regional trade agreements, foreign investment, and trade and developing countries as well.

The course aims to provide an analytical foundation for issues in international trade and trade policy. A major emphasis will be on learning how to use economic modeling to understand the effects of trade policies and to quantify those effects. This requires some immersion in relevant economic theory, while some time will be devoted to institutional descriptions. The course thus expects you to be comfortable with graphical—and to a lesser degree algebraic—analysis.

**Course Readings:**

The textbooks for the course are:

Feenstra, Robert C. and Alan M. Taylor, *International Trade*, 2nd edition, Worth Publishers, 2011 (referred to as “FT” below)<sup>1</sup>

Jackson, John H., *The World Trading System: Law and Policy of International Economic Relations*, 2nd edition, MIT Press, 1997

Other required and recommended readings for each section are as listed below in this syllabus. More reading materials will be added during the semester.

You are also encouraged to follow the latest developments and current issues of international trade and trade policy by reading daily or weekly periodicals such as the *Wall Street Journal*, *New York Times*, *Financial Times*, and *The Economist*.

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<sup>1</sup> You are allowed to use the first edition (published in 2008) instead. In case you use the first edition, however, be careful about the page numbers of chapters and parts assigned to read for each section of the course.

## Course Requirements:

Requirements for the course consist of a series of problem sets, a midterm exam, and a paper assignment. Your active participation in class will also be counted. The weights on each requirement in determining your course grade will be as follows:

<b>Problem Sets and Class Participation:</b>	<b>30%</b>
<b>Midterm Exam:</b>	<b>30%</b>
<b>Paper(s):</b>	<b>40%</b>

*Problem Sets:* Each assignment must be handed in to me at the beginning of the class on its due date (or earlier, if you would like). The due date of each problem set will be announced when the assignment is given. The problem sets will provide valuable information regarding your understanding of the course contents, and thus I strongly encourage you to do the assignments in a timely and serious fashion.

*Midterm Exam:* The midterm exam is scheduled on **Monday, March 19; from 12:15 pm to 2:15 pm (2 hours)**. The exam will be given at our regular classroom (L177 Education). There will be no make-up exam. In case you need to miss the exam at the scheduled time, you must contact me in advance and as immediately as possible.

*Paper:* The goal of the paper assignment is for you to have an opportunity both to synthesize the topics covered in the course and to use the tools you have learned to analyze a particular international trade policy issue. For the paper, you will select an actual trade policy of a particular country. Further details of the paper assignment will be provided later in the semester. However, it is a good idea for you to start immediately thinking about what country you will choose to focus on and begin looking for information about it. **The due date of the term-paper assignment is Monday, May 7, 2012**, as indicated in the separate document of the instructions of the assignment.

## Course Web Site and Others:

The course web site is prepared on Learn@UW (<https://learnuw.wisc.edu/>), on which I post course-related materials other than the required and recommended readings that are listed below in this syllabus. The course e-reserves are also linked from the course web site.

The class is put on an electronic mailing list (the “ClassList”). This allows distribution of announcements and class-related information to everyone enrolled in the course. Please check your e-mail regularly for my announcements, as well as those that I will make in class and/or post as the “Course News” on the course web site. Those announcements can be about, but will not be limited to, additional reading assignments and occasional class-time changes (if any necessary).

## COURSE OUTLINE AND READING LIST (*Tentative, as of 02/22*)

*Notes:* Recommended readings are indicated by an asterisk (\*). All other readings are required.  
The underscored without a hyperlink is the name of an electric journal database that is available through the UW Library web page.  
The materials indicated (with “E-reserve” in square brackets []) are available through the course e-reserves.  
*More readings will be added during the semester.*

### (Section 0. “Organization Meeting”)

#### Section I. Introduction

##### 1. Overview of World Trade

FT<sup>2</sup>, Ch. 1

Bureau of Economic Analysis, U.S. Department of Commerce, “U.S. International Transactions, Second Quarter of 2011,” *Survey of Current Business*, Vol. 91, No. 10, October 2011

([http://www.bea.gov/scb/pdf/2011/10%20October/1011\\_itaq%20text.pdf](http://www.bea.gov/scb/pdf/2011/10%20October/1011_itaq%20text.pdf))

World Trade Organization (WTO), *International Trade Statistics 2011*, Ch. I: “World Trade Developments in 2010” (Chapter highlights: [http://www.wto.org/english/res\\_e/statis\\_e/its2011\\_e/its11\\_highlights1\\_e.pdf](http://www.wto.org/english/res_e/statis_e/its2011_e/its11_highlights1_e.pdf). See also the data tables at [http://www.wto.org/english/res\\_e/statis\\_e/its2011\\_e/its11\\_world\\_trade\\_dev\\_e.pdf](http://www.wto.org/english/res_e/statis_e/its2011_e/its11_world_trade_dev_e.pdf) (PDF format) or [http://www.wto.org/english/res\\_e/statis\\_e/its2011\\_e/its11\\_world\\_trade\\_dev\\_e.htm](http://www.wto.org/english/res_e/statis_e/its2011_e/its11_world_trade_dev_e.htm) (links to Excel tables).)

(FYI: The entire document of *International Trade Statistics 2010* is available at [http://www.wto.org/english/res\\_e/statis\\_e/its2011\\_e/its2011\\_e.pdf](http://www.wto.org/english/res_e/statis_e/its2011_e/its2011_e.pdf).)

\* Economic Policy Institute, “Trade Deficit with Mexico Has Resulted in 682,900 U.S. Jobs Lost or Displaced,” May 3, 2011  
([http://www.epi.org/press/news\\_from\\_epi\\_trade\\_deficit\\_with\\_mexico\\_has\\_resulted\\_in\\_682900\\_u-s\\_jobs\\_lo/](http://www.epi.org/press/news_from_epi_trade_deficit_with_mexico_has_resulted_in_682900_u-s_jobs_lo/))

\* Buffett, Warren E., “America’s Growing Trade Deficit Is Selling the Nation Out From Under Us,” *Fortune*, November 10, 2003  
(<http://www.berkshirehathaway.com/letters/growing.pdf>)

##### 2. The State of Play in Trade Policy

Bhagwati, Jagdish, “The Wrong Way to Free Trade,” *New York Times*, July 24, 2011  
([http://www.nytimes.com/2011/07/25/opinion/25bhagwati.html?\\_r=1&ref=todayspaper](http://www.nytimes.com/2011/07/25/opinion/25bhagwati.html?_r=1&ref=todayspaper))

Chan, Sewell, “Hurdles Deter Obama’s Pledge to Double Exports,” *New York Times*, August 1, 2010

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<sup>2</sup> In this list, the indicated chapters and pages of FT are for the 2<sup>nd</sup> edition. Consult the course instructor on the chapters and pages to read in the 1<sup>st</sup> edition.

<http://www.nytimes.com/2010/08/02/business/economy/02trade.html?ref=todaypaper>)

Hokeman, Bernard, Will Martin, and Aaditya Mattoo, "Conclude Doha: It Matters!," *World Trade Review*, Vol. 9, No. 3, July 2010, pp. 505-530 (available online through [Cambridge University Press Journals Complete](#))

Rodrik, Dani, "The Death of the Globalization Consensus," *Project Syndicate*, July 2008 (<http://www.project-syndicate.org/commentary/rodrik21/English>)

\* Hoekman, Bernard M. and Michel M. Kostecki, "The Trading System in Perspective," Ch. 1 in *The Political Economy of the World Trading System*, 2nd Edition, 2001, pp. 9-46 [E-reserve]

\* Krugman, Paul, "In Praise of Cheap Labor," *Slate Magazine*, March 21, 1997 (<http://www.slate.com/id/1918/>)

\* Krugman, Paul, "A Raspberry for Free Trade," *Slate Magazine*, November 21, 1997 (<http://www.slate.com/id/1926/>)

## **Section II. Trade Barriers**

### **1. Tariffs and Quotas: Part I**

FT, Ch. 8 (*except for pages 239 and 241*)

### **2. Tariffs and Quotas: Part II**

FT, Ch. 9 (pp. 279-295)

### **3. Other Non-tariff Barriers**

Jackson, Ch. 5 (pp. 153-155)

Feenstra, Robert C., "How Costly Is Protectionism?," *Journal of Economic Perspectives*, Vol. 6, No. 3, Summer 1992, pp. 159-178 (available online through [JSTOR](#))

## **Section III. Trade Policies and Institutions**

### **1. International**

FT, Ch. 8 (pp. 239-241) and Ch. 11 (pp. 361-365; do not worry much about the "game theory" part.)

Jackson, Ch. 1 (pp. 1-11) and Ch. 2

Bouët, Antoine and David Laborde, "The Potential Cost of a Failed Doha Round," IFPRI Issue Brief #56, International Food Policy Research Institute, December 2008 (<http://www.ifpri.org/sites/default/files/publications/ib56.pdf>)

Evenett, Simon J., "The Weakened Resolve against Protectionism since the Seoul G20 Summit," Executive Summary of *Resolve Falters As Global Prospects Worsen: The 9th GTA Report*, Global Trade Alert, July 20, 2011 ([http://globaltradealert.org/sites/default/files/Exec\\_Summary\\_0.pdf](http://globaltradealert.org/sites/default/files/Exec_Summary_0.pdf))

Hokeman, Bernard, Will Martin, and Aaditya Mattoo, "Conclude Doha: It Matters!," *World Trade Review*, Vol. 9, No. 3, July 2010, pp. 505-530 (available online through [Cambridge University Press Journals Complete](#); notice that this is the same article as the one listed above for Section I.2.)

- \* Bown, Chad P., “First Quarter 2010 Protectionism Data,” A Monitoring Update to the *Temporary Trade Barriers Database*, World Bank, May 25, 2010 (<http://siteresources.worldbank.org/INTTRADERESESEARCH/Resources/544824-1272916036631/Bown-TTBD-Monitoring-Report-05-2010.pdf>)
- \* “Trade Talks: The Doha Round...and Round...and Round,” *The Economist*, August 2, 2008 (text available online through [EBSCOhost Business Source Premier](#))
- \* Rodrik, Dani, “Don't Cry for Doha,” *Project Syndicate*, August 2008 (<http://www.project-syndicate.org/commentary/rodrik22/English>)

## 2. National

Jackson, Ch. 3

Office of the United States Trade Representative (USTR), “The President’s Trade Agenda,” Chapter 1 of *2011 Trade Policy Agenda and 2010 Annual Report*, March 2011 ([http://www.ustr.gov/webfm\\_send/2587](http://www.ustr.gov/webfm_send/2587))

(FYI: The entire document with other chapters of this USTR’s report is available at [http://www.ustr.gov/2011\\_trade\\_policy\\_agenda](http://www.ustr.gov/2011_trade_policy_agenda). If the above-provided hyperlink to Chapter 1 does not work, you can find it through this URL to the entire report.)

Tucker, Todd and Lori Wallach, “Introduction,” Chapter 1 of *The Rise and Fall of Fast Track Authority*, Public Citizen, May 2009 (<http://fasttrackhistory.org/intro.html>)

Verrill, Charles Owen, Jr., “An Introduction to Trade Remedies Available under U.S. Law,” unpublished “Memorandum to Clients and Friends,” April 1, 1999 (<http://www.wileyrein.com/publications.cfm?sp=articles&id=13>)

European Commission Directorate-General for Trade, “Mission Statement” ([http://ec.europa.eu/trade/about/mission/index\\_en.htm](http://ec.europa.eu/trade/about/mission/index_en.htm))

(Also see the following sections in the web page of “[EC Trade: About](#)”: Introduction to Trade, Organization, and EU Trade Profile.)

“Charlemagne: The Trade War Within,” *The Economist*, April 20, 2011 (<http://www.economist.com/node/18586846>)

\* Hornbeck, J. F. and William H. Cooper, “Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy,” CRS Report for Congress, Congressional Research Service, April 7, 2011 (<http://www.fas.org/sgp/crs/misc/RL33743.pdf>)

## Section IV. The Theory of International Specialization and Exchange

### 1. Technology and Comparative Advantage: The Ricardian Model

FT, Ch. 2

### 2. Resources, Comparative Advantage, and Income Distribution: the Heckscher-Ohlin Model

FT, Ch. 4

Freeman, Richard B., “Are Your Wages Set in Beijing?,” *Journal of Economic Perspectives*, Vol. 9, No. 2, Summer 1995, pp. 15-32 (available online through [JSTOR](#))

### 3. Economies of Scale and Imperfect Competition

FT, Ch. 6

Krugman, Paul R. and Maurice Obstfeld, *International Trade: Theory and Policy*, 8<sup>th</sup> edition (Addison-Wesley, 2009), Ch. 6, pp. 114-135 [E-reserve]

## Section V. Uses and Abuses of Trade Policy

### 1. Safeguards and Trade Adjustment Assistance

Jackson, Ch. 7

FT, Ch. 6 (pp. 180-189. Focus on the adjustment issue.)

Brainard, Lael, Robert E. Litan, and Nicholas Warren, "Insuring America's Workers in a New Era of Offshoring," Policy Brief #143, Brookings Institution, 2005

([http://www.brookings.edu/~media/Files/rc/papers/2005/07macroeconomics\\_brainard/pb143.pdf](http://www.brookings.edu/~media/Files/rc/papers/2005/07macroeconomics_brainard/pb143.pdf))

Hokeman, Bernard, Will Martin, and Aaditya Mattoo, "Conclude Doha: It Matters!," *World Trade Review*, Vol. 9, No. 3, July 2010, pp. 505-530 (available online through [Cambridge University Press Journals Complete](#); notice that this is the same article as the one listed above for Section I.2.)

Rosen, Howard F., "Strengthening Trade Adjustment Assistance," Policy Brief No. PB08-2, Peterson Institute for International Economics, January 2008

(<http://www.iie.com/publications/interstitial.cfm?ResearchID=878>)

\* James, Sallie, "Maladjusted: The Misguided Policy of 'Trade Adjustment Assistance'," Briefing Paper No. 26, Center for Trade Policy Studies, Cato Institute, November 8, 2007 (<http://www.freetrade.org/pubs/briefs/tbp-026.pdf>)

### 2. Dumping and Anti-Dumping Policy

FT, Ch. 9 (pp. 296-304)

Jackson, Ch. 10

Deardorff, Alan V., "Economic Perspectives on Anti-Dumping Law," in John H. Jackson and Edwin A. Vermulst, eds., *Antidumping Law and Practice: A Comparative Study*, University of Michigan Press, 1989, pp. 23-39

(<http://www.fordschool.umich.edu/rsie/workingpapers/PPP1-25/ppp7.pdf>)

Prusa, Thomas J., "Anti-Dumping: A Growing Problem in International Trade," *The World Economy*, Vol. 28, No. 5, May 2005, pp. 683-700 (available online through [Wiley Online Library](#))

\* Jakob, Thinam, "Lesser Duty Rule and Community Interest in Anti-dumping Proceedings: The Community System in Perspective," *Intereconomics*, Vol. 36, No. 4, July/August 2001, pp. 191-195

(<http://www.intereconomics.eu/downloads/getfile.php?id=166>)

\* World Trade Interactive, "U.S. Protests Another WTO Loss on Zeroing in Antidumping Proceedings," October 3, 2008

(<http://www.strtrade.com/wti/wti.asp?pub=0&story=29339&date=10%2F3%2F2008&company>)

### **3. Subsidies and Countervailing Duties**

FT, Ch. 10 (pp. 330-352)

Jackson, Ch. 11

FAO, "Cotton subsidies in rich countries mean lower prices worldwide,"

FAONewsroom, Food and Agriculture Organization of the United Nations, 2005  
([http://www.fao.org/newsroom/en/focus/2005/89746/article\\_89759en.html](http://www.fao.org/newsroom/en/focus/2005/89746/article_89759en.html))

Levy, Phillip I., "People in Glass Houses (Subsidies Edition)," *ForeignPolicy.com*,  
July 2, 2009 (<http://www.aei.org/article/foreign-and-defense-policy/regional/asia/people-in-glass-houses-subsidies-edition/>)

Tupy, Marian L., "Who Pays for Farm Subsidies?," *Washington Times*, November  
25, 2005 ([http://www.cato.org/pub\\_display.php?pub\\_id=5233](http://www.cato.org/pub_display.php?pub_id=5233))

\* Brunel, Claire and Gary Clyde Hufbauer, "Money for the Auto Industry:  
Consistent with WTO Rules?" Policy Brief No. PB09-4, Peterson Institute for  
International Economics, February 2009  
(<http://www.iie.com/publications/pb/pb09-4.pdf>)

### **Section VI. Preferential Trading Arrangements**

FT, Ch. 11 (pp. 365-372)

Bhagwati, Jagdish, "Regionalism and Multilateralism: An Overview," in Jagdish  
Bhagwati, Pravin Krishna, and Arvind Panagariya, eds., *Trading Blocs:  
Alternative Approaches to Analyzing Preferential Trade Arrangements*,  
Cambridge, MA: MIT Press, 1999, Ch. 1, pp. 3-32 [E-reserve]

Bhagwati, Jagdish, "Termites in the Trade System," *The New York Sun*, July 2,  
2008 (<http://www.nysun.com/opinion/termites-in-the-trade-system/81080/>)

Irwin, Douglas, "How Free Is Free Trade?: Bhagwati's 'Termites in the Trade  
System' (Book Review)," *The New York Sun*, July 21, 2008  
(<http://www.nysun.com/arts/how-free-is-free-trade-bhagwatis-termites-in/82251/>)

\* Kimenyi, Mwangi S., "African Growth and Opportunity Act: A Case of  
Vanishing Benefits," Brookings, July 30, 2009  
([http://www.brookings.edu/opinions/2009/0730\\_agoa\\_kimenyi.aspx](http://www.brookings.edu/opinions/2009/0730_agoa_kimenyi.aspx))

### **Section VII. Migration and Foreign Direct Investment**

FT, Ch. 1 (pp. 17-23) and Ch. 5

### **Section VIII. "New Subjects" in the World Trading System: Trade in Services, Intellectual Property Rights, and Investment**

Jackson, Ch. 12

### **Section IX. Foreign Outsourcing / Offshoring**

FT, Ch. 7

**Section X. Trade and Trading System: Issues on Developing Countries**

FT, Ch. 9 (pp. 304-318) and Ch. 10 (pp. 325-330)

Krugman, Paul R. and Maurice Obstfeld, *International Trade: Theory and Policy*,  
8<sup>th</sup> edition (Addison-Wesley, 2008), Ch. 10, pp. 250-265 [E-reserve]

**Section XI. Trade, Labor, and Environment**

FT, Ch. 11 (pp. 359-361, 372-391)