

DRAFT: September 28, 2015

PUAF 700
U.S. Trade: Policy and Politics
Fall 2015
Tuesday, 1:30-4:00 pm

Professor I. M. (Mac) Destler
Van Munching Hall 4107
phone: 301-405-6357
fax: 301-403-8107

mdestler@umd.edu
<http://www.publicpolicy.umd.edu/faculty/destler>
Office hours: Mon 4-5; Thurs 11-12*

President Obama's first term saw little action on trade policy—other priorities dominated. The second term has proved the opposite. Early this summer, the President—allied with Congressional Republicans—won a tough fight for Trade Promotion Authority, which the US Trade Representative's (USTR) office is now deploying to complete agreement on a comprehensive Trans-Pacific Partnership (TPP) with eleven nations. Obama further broadened the trade agenda by announcing, in early 2013, his decision to embark on a parallel, comprehensive free-trade agreement with the European Union, dubbed the Trans-Atlantic Trade and Investment Partnership (TTIP). Last and perhaps not least, he rejuvenated his negotiating team by naming a strong new USTR, Michael Froman, to head these efforts.

The United States possesses the world's largest economy, and remains the most important force in global trade, China notwithstanding. So US trade policies have huge impact on the world economic order. But they are driven primarily by US domestic processes and politics. This course treats the politics, economics, and laws shaping United States trade policy, including:

- the 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 huge (and persistent) US trade deficit—its causes and effects;
- the impact of the World Trade Organization (and stalemate in the Doha Round);
- the US trade relationship with China; and
- the broad controversy over “globalization.”

The course is divided into two unequal parts. The first ten weeks (Part I) aim to provide students a solid grounding in the major elements and issues of US trade policy. At the eleventh class session there is an exam, which will count for roughly 60 percent of students' final grades. Thereafter, in Part II, the final four weeks, we will move beyond the American trade policy

**NOTE: These hours will prevail most of the time. I will try to provide advance notice if I will not be in at the standard time. In addition, I will be available most Tuesdays after class. Students can also make appointments, or drop in, at other times. I post my weekly schedule on my office door, which is usually open when I'm in.*

context to books which offer broader, comparative vantagepoints on trade policy and institutions, and the global economy..

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 on ELMS/CANVAS. Also available there will be the schedule of student presentations and copies of prior exams.

Readings: Students should acquire copies of at least four books:

TO BE PURCHASED:

I. M. Destler, *American Trade Politics*, **4th Edition** (Peterson Institute for International Economics [IIE] 2005).

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, **paperback edition, 2009**).

Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy* (W. W. Norton & Company, 2011).

AVAILABLE THROUGH THE INSTRUCTOR:

Economic Indicators, Prepared for the Joint Economic Committee by the Council of Economic Advisers, July 2015, no charge—distributed at first class
<http://www.whitehouse.gov/administration/eop/cea/economic-indicators>

Other readings will be available through ELMS/CANVAS except as specifically stated. And students should connect periodically to websites such as: wto.org; usitc.gov; ustr.gov; piie.com; freetrade.org; ceip.org; cato.org/trade-immigration; aei.org/ra/8; aflcio.org; citizen.org/trade; and maketradefair.com.

NOTE: THIS SYLLABUS IS A WORK IN PROGRESS. A FULL VERSION WILL BE MADE AVAILABLE, AND POSTED ON ELMS/CANVAS, LATER THIS MONTH. READINGS FROM OCTOBER ONWARD ARE PARTICULARLY SUBJECT TO CHANGE.

PART I. POLICY AND POLITICS: MAJOR TOPICS
(Those for October and afterwards are subject to some change.)

September 1: Trade Numbers and Their Meaning (materials to be distributed in class)

References: "U.S. Merchandise Trade Balances, 1980-2015," and "US Merchandise Trade With. . . .In 2014": tables prepared by the instructor from Commerce data.

"Price-Adjusted Broad Dollar Index 1973-2014" and "Price-Adjusted Broad Dollar Index 1995-2015," charts prepared by the instructor, with assistance, from Federal Reserve Board data.

U.S. Congress, Joint Economic Committee, *Economic Indicators*, July 2015.
(www.gpo.gov/economicindicators)

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: Annual Revision for 2014*, Exhibit 13 ([2014 only] Annual Country Totals).
(http://www.census.gov/foreign-trade/Press-Release/2014pr/final_revisions/final.pdf)

U.S. Department of Commerce, *U.S. International Trade in Goods and Services: June 2015*, Summary and Exhibits 1, 6, 9, 14, and 14a.
(<http://www.census.gov/foreign-trade/Press-Release/2015pr/06/fi900.pdf>).

September 8: U.S. Trade Politics: The Basic System

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

September 15: Trade, Exchange Rates, and Macroeconomics

Readings: C. Fred Bergsten, "Currency Wars, The Economy of the United States, and Reform of the International Monetary System," Stavros Niarchos Foundation Lecture, Peterson Institute for International Economics, May 16, 2013.
(<http://www.piie.com/publications/papers/bergsten201305.pdf>)

Council of Economic Advisers (CEA), "The United States in A Global Economy," Economic Report of the President, February 2015 (Links to an external site.), chap. 7, pp. 291-97 and 316-29. [NOTE: Other portions of this chapter have been assigned for the class sessions of September 22nd and October 13th.

Department of the Treasury, Office of International Affairs, *Report to Congress on International Economic and Exchange Rate Policies*, April 9, 2015, pp. 2-11. (<http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Report%20to%20Congress%20on%20International%20Economic%20and%20Exchange%20Rate%20Policies%2004092015.pdf>)

Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy* (Pearson Education Limited, 8th or 9th edition, 2008/2009), chap. 12 (pp. 288-316) and chap. 13 (esp. pp. 317-27 and 341ff). Chap. 14 is available.

Review trade balance data distributed September 1st.

September 22: 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).

Krugman and Obstfeld, *International Economics*, chap. 3 (pp. 27-53). Skim chap. 4. Chap. 5 is available.

Charles Schumer and Paul Craig Roberts, "Second Thoughts on Free Trade," *New York Times*, January 6, 2004 and rebuttal by Michael Kinsley, "Free Trade But..." January 9, 2004. [link on **ELMS/CANVAS**, "Modules"]

September 29: Coping with Imports: Trade Protection

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

Destler, "Antidumping, countervailing duty, and Section 291 investigations initiated from 1979 to 2014," update of Table 9.1, *ATP*, p. 238.

Edward Gresser, "Toughest on the Poor: America's Flawed Tariff System," *Foreign Affairs*, November-December 2002; and Gresser's 7/31/08 update, "Taxing the Poor." [link on **ELMS/CANVAS**, "Course Documents"]

Craig VanGrasstek, "Globalization and the Declining Demand for Antidumping Orders," chap. 6 (pp. 120-134) in *Dereliction of Duties: The Rise, Fall, and Possible Rebound of US Trade Policy*, draft manuscript, August 12, 2012. [link on **CANVAS**/ "Modules"]

Optional/Recommended: N. Gregory Mankiw and Phillip L. Swagel, "Antidumping: The Third Rail of Trade Policy," *Foreign Affairs*, July-August 2005, pp. 107-119.

October 6: China

Documents: Letter from Paul Ryan, Orrin Hatch, Sandy Levin, and Ron Wyden to President Obama re visit of President Xi, September 21, 2015.

Address by Chinese President Xi Jinping in Seattle, Washington, September 22, 2015.

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

Department of the Treasury, Office of International Affairs, *Report to Congress on International Economic and Exchange Rate Policies*, April 9, 2015, pp. 3-4 and 11-14.

Nicholas R. Lardy, "China's Rise is a Credit to Private Enterprise, Not State Control," *Financial Times*, September 15, 2014.

Wayne M. Morrison, "China-U.S. Trade Issues," Congressional Research Service, March 17, 2015, 55 pp.

Arvind Subramanian, "The Curious Case of the Protectionist Dog that Has Not Barked," *Financial Times*, July 10, 2013.

Jeffrey J. Schott and Sean Miner, "US-China Trade Relations: Projecting the Path Forward," and Robert Z. Lawrence, "China's Rise and American Welfare," in Peterson Institute for International Economics, *China's Economic Transformation: Lessons, Impact, and the Path Forward*, pp. 3-13 and 38-49.

AND

Stephen J. Ezell and Robert D. Atkinson, "False Promises: The Yawning Gap Between China's WTO Commitments and Practices," The Information Technology and Innovation Foundation (ITIF), September 2015, 30pp. plus notes.

OR

Justin R. Pierce and Peter K. Schott, "The Surprisingly Swift Decline of U.S. Manufacturing Employment," National Bureau of Economic Research, Working Paper 18655, December 2012, 20pp. plus notes and tables.

October 13: The New American Trade Politics [*NOTE: Readings from this point on are subject to substantial change.*]

Readings: C. Fred Bergsten, "World Trade at Risk" (Peterson Institute: Policy Brief 08-5, May 2008, 3 pp).

Destler, *ATP*, chs. 10 & 11. [Skim Appendix]

Destler, "American Trade Politics in 2007: Building Bipartisan Compromise" (Peterson Institute: Policy Brief 07-5, May 2007, 13 pp. plus appendices).

Representative Sander M. Levin, "The Challenges and Opportunities of International Trade: Past, Present, and Future," Address at the Peterson Institute for International Economics, July 23, 2013.

Pew Research Center for the People and the Press, "Americans Are of Two Minds on Trade," November 9, 2010.

Craig VanGrasstek, "The New Issues in Trade Policy," chap. 7 (pp. 136-65) in *Dereliction of Duties*.

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

October 20: The World Trade Organization and the Doha Round

Readings: "The Doha Round: Setting a Deadline, Defining a Final Deal," Interim Report of the High-Level Experts Group, Jagdish Bhagwati and Peter Southerland, co-chairs, January 12, 2011, 20pp. [

Hufbauer, Schott and Wong, *Figuring Out the Doha Round*, (Peterson Institute, June 2010), chs. 1 (Overview, pp. 1-15) and 4 (Conclusion, pp. 105-108).

Jagdish Bhagwati, "The Wrong Way to Free Trade," New York Times, July 24, 2011.

Jeffrey J. Schott, "Professor Bhagwati and the Doha Round: Well-Intentioned but Naive?" Peterson Institute Website, August 1, 2011.

Schwab, Susan, "After Doha: Why the Negotiations Are Doomed and What We Should Do About It," *Foreign Affairs*, May/June 2011, pp. 104-117.

Stokes, Bruce. "WTO Dispute Panels Gain Power," *National Journal*, August 7, 2010, pp. 43-45.

WTO website, "Understanding the WTO: Settling Disputes."

October 27: The Regional Alternatives: TPP and TTIP [*This section may be extended to two weeks, with Part Two shortened commensurately.*]

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

Jeffrey J. Schott, Barbara Kotschwar, and Julia Muir, Understanding the Trans-Pacific Partnership (Peterson Institute: Policy Analysis No. 99, January 2013, 63pp.

USTR Letter Notifying Congress of Intent to Enter Negotiations with the European Union on the Transatlantic Trade and Investment Partnership (TTIP), 03/20/2013

and one of the following:

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

OR

Simon J. Evenett and Michael Meier, "An Interim Assessment of the U.S. Trade Policy of 'Competitive Liberalization,'" Universitat St. Gallen, Discussion Paper no. 2007-18, February 2007.

:

Nov 3: Whither US Trade Policy?

Readings: Susan Aaronson, "Obama's Big Failure: His Vague, Cautious Trade Policy," The International Economy, Summer 2010.

Destler, ATP, ch. 12.

Destler, "First, Do No Harm: Foreign Economic Policy Making Under Barack Obama," ch. 11 in U.S. Foreign Policy Today: American Renewal? (CQ Press, 2011), read pp. 205-16.

Craig VanGrasstek, "Conclusions and Speculations," chap. 11 (pp. 256-66) in Dereliction of Duties, Draft, August 2012.

Council on Foreign Relations, Report of the Independent Task Force on U.S. Trade Policy, September 2011: Executive Summary, Recommendations, and Conclusion.

Caroline Freund, "Rethinking the National Export Initiative," Peterson Institute for International Economics, Policy Brief PB14-7. February 2014.

Recommended: U.S. Trade Promotion Coordinating Committee, 2012 National Export Strategy: Introduction and Chap. 1.

November 10: Examination

PART TWO: FOUR CRITICAL PERSPECTIVES

November 17: More Than You Wanted to Know About What You Wear

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

November 24: Why Did NAFTA Happen?

Reading:: Frederick Meyer, *Interpreting NAFTA*.

December 1: Has Globalization Gone Too Far?

Reading: Dani Rodrik, *The Globalization Paradox*.

December 8: To be selected