

THE UNIVERSITY OF MICHIGAN
Gerald R. Ford School of Public Policy
and
Department of Economics

PubPol/Econ 541
INTERNATIONAL TRADE POLICY

SYLLABUS
Fall 2015, Alan Deardorff

Text	Requirements	Schedule	Disabilities	Contacts	Readings
----------------------	------------------------------	--------------------------	------------------------------	--------------------------	--------------------------

PURPOSE: The aim of this course is to teach you a lot about the economics -- and a little about the institutions -- of international trade and trade policy. The course is companion to SPP/Econ 542, International Finance Policy, which deals with international macroeconomic topics such as the balance of trade and balance of payments, determination of exchange rates, and international macroeconomic policies. Each course will also include the bare essentials of the other course so that if you take only one of them, you won't be lost in the world economy.

The course is mainly about trade policy. You will learn what trade policies are, how they are used by the United States and other countries, and how their use is restricted by international agreements. More importantly you will learn how to use economic modeling to understand the effects of trade policies and to quantify these effects. Along the way you will also learn about the institutions of the world economy, especially those that have to do with trade. And you will learn a little bit about the economic theories of why nations trade, and why they gain from trade.

Prerequisite: PubPol/Econ 555 or equivalent course in intermediate microeconomics

Organization: The course meets twice a week, Mondays and Wednesdays, 8:30-10:00 AM, in room 1230 Weill.

TEXTS

The textbooks for the course are

Krugman, Paul R., Maurice Obstfeld, and Marc Melitz ("KOM" below), **one** of the following as explained below:

International Economics: Theory and Policy, 9th edition, Addison Wesley, 2012, isbn-13 #978-0-13-801896-2

International Economics: Theory and Policy, 10th edition, Pearson, 2015, isbn-13 #978-0-13-801896-2

International Trade: Theory and Policy, 10th edition, Pearson, 2015, isbn-13 #978-0-13-342367-9

Jackson, John H., *The World Trading System: Law and Policy of International Economic Relations*, Second Edition, MIT Press, 1997, isbn #0-262-60027-7.

There will also be a number of additional readings that are required. All are available under Resources on CTools. Most of the readings are also available free to the public on the web, through links included on this syllabus. A few readings are available through subscription sites, including ones subscribed to by U of M (e.g., JSTOR, Proquest). And a few are available only on CTools.

Because of the speed with which issues evolve, readings selected in advance can never cover all of the latest developments. We will therefore spend some time each week discussing recent news related to trade and trade policy. You should follow current issues of international trade policy by reading daily periodicals such as the *Wall Street Journal*, *New York Times*, or *Financial Times* or weekly publications such as *Business Week*, or *The Economist*. Student subscriptions to these publications are available at reduced prices. I also post links to relevant news items on my personal website. We will devote some time each week to discussing the news.

NOTES on the Krugman, Obstfeld, Melitz text:

The most recent edition, the 10th, came out this year, 2015. Unlike previous editions, this is in three forms: one that combines international trade and finance like previous editions (which I ordered for you before I knew about this, but that the publisher did not send me); a second that covers only trade (that they did), and a third that covers only international finance. If you intend to buy this new edition, you might want to choose based on whether you plan to take PubPol 542, International Financial Policy, in Winter 2016, since it will use the same book and you'll save money by buying the combined text rather than the two separate ones. Alternatively, you might want to buy a used copy of the 9th edition from 2012, or even an earlier one. Coverage should be roughly comparable.

I provide chapter and page numbers for the trade-only version of the 10th edition and for the 9th edition. If you have the combined 10th edition, I suspect that the chapters and page numbers will be very similar to the 9th edition.



REQUIREMENTS

Requirements for the course consist of a series of problem sets that will *not* be graded, three short papers that will be handed in during the term and graded, and two exams. The weights on each of these requirements, as well as class participation, in determining your grade will be as follows:

Problem Sets	0%
Class participation	10%
Papers	30%
Exam #1	30%
Exam #2	30%

SCHEDULE

Paper #1	Wednesday, October 14	8:40 AM
Exam #1	Monday, November 9	in class
Paper #2	Wednesday, November 18	8:40 AM
Paper #3	Monday, December 14	8:40 AM
Exam #2: Friday, December 18		10:30 AM-12:30 PM

WRITING ASSISTANCE

Your papers will be graded on both content and presentation, which means you should take full advantage of the Ford School resources for helping you with your writing. See <http://fordschool.umich.edu/writing-center/> for more information, including links to the websites for signing up for advising appointments.



STUDENTS WITH DISABILITIES

If you believe you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat any information you provide as private and confidential.

WHERE AND WHEN TO FIND ME

Alan Deardorff:

Office: Weill Hall, Room 3314
 Phone: 764-6817
 Office Hours: Mon 10:15-11 AM
 Wed 3-4 PM
 E-mail: alandear@umich.edu

Course Home Page:

<http://www-personal.umich.edu/~alandear/courses/541/541.html>

COURSE OUTLINE AND READING LIST

NOTES:

1. Click title for citation; click [Online](#) for item if on the web, or see [CTools](#); for the few items not on the web, see [CTools](#).

2. All readings are required, but those marked with a tilde, ~, represent views that are not necessarily justified by economic analysis. They contain useful factual information, but I disagree with some of their interpretations, and they are here so that you will be aware of a range of views.

0. Introduction to the Course (Sep 9)

No readings for today. For all subsequent classes, you should read everything assigned **before** the class meets.

I. Overview of the International Economy

A. The State of Play in International Trade and Trade Policy (Sep 14)

KOM, Chs. 1, 2 (any edition) [21 pp]

WTO:

Cottier, "[Common Law of International Trade](#)" | [CTools](#), Section I only, pp. 3-6. [3 pp]

FTAs:

Meltzer, "[From TPP to FTAAP?](#)" | [Online](#). [3 pp]

~Zornick, "[Fast-Track Fight Is Effectively Over](#)" | [Online](#). [5 pp]

Barfield, "[Tipping Our TPP Hand](#)" | [Online](#). [3 pp]

Siles-Brügge et al., "[TTIP: The State of Play](#)" | [Online](#). [11 pp]

Smyth, "[Australia-China Trade Deal](#)" | [CTools](#). [3 pp]

Disputes:

Buttonwood, "[Russian Sanctions](#)" | [CTools](#) [2 pp]

Economist, "[Torture by Tariff](#)" | [Online-Proquest](#). [2 pp]

ST&R, "[Senators Work to Avoid Sanctions](#)" | [Online](#). [1 pp]

ST&R, "[U.S. Argues for Lower Retaliation](#)" | [Online](#). [1 pp]

Miller, "[U.S. Steelmakers Again Ask for Tariffs](#)" | [Online-Proquest](#). [3 pp]

B. Tariffs and Quotas (Sep 16, 21):

KOM: [12 pp]

9th Ed.: Ch. 9, pp. 192-202, 205-207

10th Ed. (trade only): Ch. 9, pp. 206-216, 220-224

Deardorff, "[Nontariff Barriers and Domestic Regulation](#)", pp. 1-12 | [Online](#) [12 pp]

C. International Transactions and the Trade Balance (Sep 23):

KOM, 9th Ed. Ch 13 [23 pp] [CTools](#)

BEA, "[International Transactions](#)" | [Online](#) [8 pp]

~Kimball & Balding, "[The Trade Deficit is Responsible...](#)" | [Online](#) [2 pp]

~Buffett, "[Selling the Nation](#)" | [Online](#) [5 pp]

WTO, "[World Trade Developments 2013](#)" | [Online](#) [8 pp] (See also [Excel Tables](#))

D. Exchange Rates (Sep 28) - Kathryn Dominguez substitutes for Deardorff:

KOM, 9th Ed. Ch 14, pp. 320-328 [10 pp] [CTools](#)

Sender, "[Currency skirmish not made in China](#)" | [CTools](#) [3 pp]

McCain, "[Will China's Currency Devaluation Spark A Trade War?](#)" | [Online](#) [2 pp]

Fick, "[Nigeria adopts unorthodox measures](#)" [CTools](#) [3 pp]

E. Policies and Institutions: International (Sep 30, Oct 2)

KOM: [11 pp]

9th Ed.: Ch. 10, pp. 234-244

10th Ed. (trade only): Ch. 10, pp. 252-262

Jackson, Ch. 1 pp. 1-11, Ch. 2 [59 pp]

Bouët and Laborde, "[Cost of a Failed Doha Round](#)" | [Online](#) [8 pp]

Johns, "[WTO Trade Facilitation Agreement](#)" | [Online](#) [2 pp]

Economist, "[Bargaining Chips](#)" | [Online-Proquest](#) [2 pp]

F. Policies and Institutions: National, United States (Oct 7)

Jackson, Ch. 3 [26 pp]

Verrill, "[U.S. Trade Remedies](#)" | [CTools](#) [3 pp]

USTR, "[The President's Trade Policy Agenda](#)" | [Online](#) [22 pp]

~Public Citizen, "[Fast Track: An Undemocratic Path to Unfair "Trade"](#)" | [Online](#) [1 pp]

Kabel, "[What's the Hold-Up?](#)" | [Online](#) [2 pp]

G. Policies and Institutions: National, Other (Oct 12)

European Union:

EU, "[How the EU works](#)" | [Online](#) [1 pp]

EC DG-Trade, "[Policy Making](#)" | [Online](#) [2 pp]

Charlemagne, "[The Trade War Within](#)" [Online-Economist](#) | [Online-Proquest](#) [3 pp]

Japan:

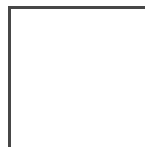
Solis, "[Japan's Trade Policy](#)" | [Online](#) [6 pp]

WTO, "[Trade Policy Review: Japan](#)" | [Online](#) [3 pp]

China:

MOFCOM, "[Mission](#)" of the Ministry of Commerce, People's Republic of China | [CTools](#) [3 pp]

WTO, "[Trade Policy Review: China](#)" | [Online](#) [5 pp]



II. Trade Barriers

A. Non-tariff Barriers (Oct 14)

KOM: [8 pp]

9th Ed.: Ch. 9, pp. 202-205, 208-211, 215-218

10th Ed. (trade only): Ch. 9, pp. 217-220, 224-227, 232-235

Jackson, Ch. 5, pp. 153-156 [3 pp]

Deardorff, "[Nontariff Barriers and Domestic Regulation](#)", pp. 12-16 | [Online](#) [5 pp]

Feenstra, "[How Costly Is Protectionism?](#)" | [Online-JSTOR](#) [20 pp]

***** FALL STUDY BREAK, Oct 19-20 *****

B. Multi-Market Analysis (Oct 21)

Deardorff, "[Trade Policy with Interacting Markets](#)" | [Online](#) [7 pp]

C. Cost-Benefit Analysis of Trade Policies (Oct 26)

Fetzer, "[U.S. Flat Rolled Steel](#)" | [CTools](#) [26 pp]

Fetzer, "[Tires from China](#)" | [CTools](#) [15 pp]

D. Why Countries Restrict Trade (Oct 28)

KOM: [15 pp]

9th Ed.: Ch. 10, pp. 219-234

10th Ed. (trade only): Ch. 10, pp. 236-252

Hoekman and Kostecki, "[The Trading System in Perspective: Functions of the Multilateral Trading System](#)" pp. 27-40 | [CTools](#) [14 pp]

Baldwin and Magee, "[Is Trade Policy For Sale?](#)" | [Online-Springer](#) [22 pp]

Deardorff and Stern, "[Introduction](#)" | [CTools](#) [20 pp]

Magee, "[Why Are Trade Barriers So Low?](#)" | [Online-Wiley](#) [6 pp]

III. The Theory of International Specialization and Exchange

A. The Standard Trade Model (Nov 2, 4)

KOM, Ch. 6 (any edition) [19 pp]

***** EXAM #1, in class, Monday Nov 9 *****

(Covers through assignments for Oct 28, Why Countries Restrict Trade.)

***** NO CLASS, Nov 11 *****
(I'm away)

B. Behind the Standard Trade Model: Comp. Adv., Inc. Dist. (Nov 16)

KOM, on comparative advantage: [15 pp]

9th Ed.: Ch. 3, pp. 24-40

10th Ed. (trade only): Ch. 3, pp. 24-40

KOM, on effects of trade: [10 pp]

9th Ed.: Ch. 5, pp. 89-98

10th Ed. (trade only): Ch. 5, pp. 94-103

Deardorff, "[Intro to Comparative Advantage](#)" | [Online](#) [7 pp]

Freeman, "[Are Your Wages Set in Beijing?](#)" | [Online-JSTOR](#) [19 pp]

C. Scale Economies and Imperfect Competition (Nov 18)

KOM: [22 pp]

9th Ed.: Ch. 7, pp. 137-148; Ch. 8, pp. 155-166

10th Ed. (trade only): Ch. 7, pp. 145-156; Ch. 8, pp. 164-174

IV. Uses and Abuses of Trade Policy

A. Preferential Trading Arrangements (Nov 23, 25)

KOM: [4 pp]

9th Ed.: Ch. 10, pp. 245-249

10th Ed. (trade only): Ch. 7, pp. 263-268

WTO, "[Causes and Effects of PTAs](#)" | [Online](#) [30 pp]

Posen, "[The case for trade](#)" | [CTools](#) [2 pp]

Deardorff, "[Trade Implications of the TPP](#)" | [CTools](#) [20 pp]

B. Safeguards and Trade Adjustment Assistance (Nov 30, Dec 2)

Jackson, Ch. 7 [37 pp]

Brainard et al., "[Insuring America's Workers](#)" | [Online](#) [8 pp]

~James, "[Maladjusted](#)" | [Online](#) [13 pp]

Rosen, "[Strengthening Trade Adjustment Assistance](#)" | [Online](#) [10 pp]

Lawrence, "[A Numbers Argument for Renewing TAA](#)" | [Online](#) [2 pp]

C. Dumping and Anti-Dumping Policy (Dec 7, 9)

Jackson, Ch. 10 [33 pp]

Deardorff, "[Economic Perspectives on Anti-Dumping Law](#)" | [Online](#) [15 pp]

~Jakob, "[Lesser Duty Rule and Community Interest in Anti-dumping](#)" | [Online](#) [5 pp]

D. Subsidies and Countervailing Duties (Dec 14)

KOM: [6 pp]

9th Ed.: Ch. 9, pp. 203-204, Ch. 12 pp. 274-277

10th Ed. (trade only): Ch. 9, pp. 217-218, Ch. 12 pp. 293-296

Jackson, Ch. 11 [25 pp]



*** EXAM #2 (Semi-cumulative) ***

Friday, Dec 18, 10:30 AM-12:30 PM
