

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

PubPol 495
POLICY SEMINAR
USES AND ABUSES OF INTERNATIONAL TRADE POLICY
SYLLABUS
Winter 2015, Alan Deardorff

Text and Readings	Requirements	Policies	Assignments	Contacts	Readings:
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Topics:	Tariffs	VERs	Safeguards	Subsidies	Agriculture	Export Restrictions	FTAs	Sanctions
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OVERVIEW

The United States and most other countries make frequent use of international trade policies, sometimes to protect their producers, sometimes to protect their consumers, and sometimes to achieve foreign policy objectives. This course will examine the international rules for using such policies and the framework for enforcing those rules in the World Trade Organization. This will be done in the context of notable examples of such uses, both recent and in the more distant past. Examples include, among others, the infamous Smoot-Hawley Tariff Act of 1930; the voluntary export restraints imposed by the US and Europe on automobiles exported from Japan in the 1980s; many countries uses of anti-dumping duties against imports that threaten domestic producers; export restrictions on food products by agricultural producers during the 2006-2008 world food crisis; and the economic sanctions against Russia imposed by the US and Europe in response to Russia's actions in Ukraine in 2014, and the Russian response.

The course is taught by an economist, and it will take the perspective of economics. But its use of mathematical economic models and tools will be minimal, the focus being much more on qualitative than on the quantitative effects, both directly and indirectly, of these policies. Explanations for why countries use trade policies in these ways are inevitably as much political as economic, but the perspective on the "political economy" of trade policy will be primarily that of economics.

TEXT AND READINGS

There is no textbook for this course.

There are instead a large number of shorter readings. Most of these are accessible on the web, and links to them are provided here for you to view them online or to download and print. The readings that are not on the web will be posted under Resources on CTools, also with links here.

You should read the readings assigned for each class **before** that class and be prepared to discuss them.

Finally, I will be watching for trade-policy related news items and will alert you to them as they arise. You will be expected to read these news items, posted on CTools, and we will discuss them in class.

COURSE REQUIREMENTS

- Participate in class discussions (20%)
(includes preparing 3 discussion questions for one assigned class)
- Two 2-4 page Issue Briefs (20% each)
 - #1 Due 2:30 PM on CTools, Wednesday February 25
 - #2 Due 2:30 PM on CTools, Wednesday March 25
- Term paper, 8-10 pages (40%)
 - Topic due 2:30 PM on CTools, Wednesday March 11 Paper due 2:30 PM on CTools, Monday April 20
 - (A few students may opt to do 5-min presentations, probably on April 15. Then paper=30%, presentation=10%)

COURSE POLICIES

- **Attendance:** This course will stress discussion and it will not succeed if you are not present. Attendance is therefore required. If you must miss a class due to illness or other reason, let me know by e-mail before the class starts and you will be excused. Unexcused absences will count against your participation grade.
- **Late Assignments:** Written assignments -- the two Issue Briefs and the Term Paper -- are due as of the start of class on the dates indicated, to be submitted through CTools. Late assignments will be penalized the equivalent of 1/3 letter grade per day, or fraction of day, that they are late.
- **Laptops:** You are welcome to use laptops during class for class-related needs. These could include taking notes, viewing the assigned readings, and searching for information or answers relevant to the discussion. I believe that your access to the internet can make a positive contribution to the class, and therefore I do not want to prohibit it. However, if I find that students are using it in class for other purposes, I will have to change this policy.
- **Wikipedia** Wikipedia is a wonderful place to get leads to ideas, data, and sources. But don't use it as a source itself. Find where the information comes from, consult the source yourself, and use that.
- **Plagiarism:** Plagiarism will be penalized, with minor infractions reducing your grade and major ones grounds for disciplinary action in addition. See "[A Note on Plagiarism](#)" by Professor John Whittier-Ferguson, posted by LS&A's Department of English Language and Literature. If you use someone else's wording, put it in quotation marks and credit the source. (And don't do too much of this; I want to hear from you.) If you use someone else's information or data, credit the source. I don't care how you credit it, but do it.
- **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.

ASSIGNMENTS

- **Discussion Questions**

You will select one class from the courses schedule (one student per class - I'll post a signup sheet online) and be responsible for preparing a set of at least three discussion questions to be posted on CTools by midnight the day before class for all members of the class to read and be ready to discuss in class.

These questions should not be just about the facts of the issue addressed in the class or about what opinions were expressed in the readings. (These will both be discussed during the class, but we don't need guidance for those.) They should instead be thoughtful questions about the implications of the issue or about the policies that have been or might be used to address it.

- **Issue Briefs**

You will write two Issue Briefs, each on one of the topics that will be discussed in class. You don't need to tell me what topics you've chosen before you turn it in, and more than one student will undoubtedly choose the same topic. You are welcome to choose a topic that we will have already discussed in class before you write the brief, and to draw on that discussion in writing your brief. You are also welcome to discuss your topic with other students, including others who have selected to write on the same topic. But the Brief that you write must be your work alone.

Each Issue Brief will be 2-4 pages, double spaced. It should lay out the facts of the issue and the main points of disagreement, but not attempt any analysis or or draw conclusions. Instead it should explain any alternative views on the issue and perhaps what may motivate those views.

You should think of the audience for your brief as other students with an interest and perhaps some knowledge of trade, trade policy, and trade institutions, but who are uninformed about the particular issue. Indeed, my hope is that the best of these issue briefs will be appropriate for me to assign as readings in my other courses. I will grade these on the quality, accuracy, and completeness of the presentation, including the writing.

- **Term Paper**

Your term paper will be on a topic that you select that is **not** covered explicitly in any of our classes. I will provide a list of topics from which you can choose, or you can find one that is not on that list. Either way, I will ask you to report your topic to me by Wednesday March 11. If you select a topic from my list, that's all I need. If you select a topic not on my list you should turn in a short paragraph explaining the topic, similar to what I will provide for the topics on my list. I will let you know within a week if I think your topic is inappropriate for this course, and/or if I think it needs to be modified to make it manageable.

In contrast to your Issue Briefs, the term paper should go beyond a statement of the facts and controversies of your topic and provide a thoughtful analysis of the issues's pros and cons. If you are able to form a conclusion and/or policy recommendations, please do. If instead you feel that such conclusions would require more information than you have, explain what that information would be and how it would matter.

Your audience for the term paper is the same as for your Issue Brief: students with an interest in trade but no knowledge of the topic. Grading will be based on the quality of the presentation, but also on the quality of the analysis.

• **Optional Presentation**

Those who wish can do a 5-minute presentation on their term paper, with the grade for the term paper then including the quality of their presentation. With only five minutes to present, you will not be able to explain, or even mention, everything in your paper. The challenge will therefore be to distill the essence of your paper into something that will fit into five minutes without rushing, and still accomplish the same objective as the paper: to inform your audience about the issue and the main points of your analysis. A successful presentation will make your audience want to explain the issue to others and also to read your paper to learn more about it.

Presentations will be in class on April 15. I'll need to know by April 8 if you want to do one.

WHERE TO FIND ME

Office: Room 3314 Weill Hall (this building)
 Phone: 764-6817
 Office Hours: Mondays 10:15-11 AM & Thursdays, 9-10 AM
 (subject to change; check my homepage)
 E-mail: alandear@umich.edu
 Course Home Page: <http://www-personal.umich.edu/~alandear/courses/495/495.html>
 (Also accessible through UM CTools.)

SCHEDULE OF TOPICS AND READINGS

Click on:	<u>Title</u>	for	full citation to the reading
	<u>"Online"</u>		the reading itself (via UM if labelled P=Proquest, J=JSTOR, etc.)
	<u>"CTools"</u>		the reading itself in CTools

TOPIC Date Class topic and Assigned Reading

Jan 7 0. Course Overview
 No assigned reading

A. TARIFFS

Jan 12 1. Tariffs - General
 Deardorff, "[Tariff in Partial Equilibrium](#)," [4p] [Online](#)
 Deardorff, "[Benefits and Costs](#)" [42p] [Online](#)

Jan 14 2. Smoot-Hawley Tariffs
 Economist, "[The Battle of Smoot-Hawley](#)," [6p] [Online-Proquest](#)

Irwin, "[Smoot-Hawley Tariff](#)," [7p] [Online-JSTOR](#)
 (Ignore details of estimation and omit Section III and Appendix.)
 Koyama, "[Why Did the President Sign the Bill?](#)" [25p] [Online-Ebsco](#)

Jan 19 **No Class - Martin Luther King Jr. Day**

Jan 21 **3. European Economic Community**
 Irwin, "[Trade Agreements](#)," [5p] [Online](#)
 Mikesell, "[The Lessons](#)," [14p] [Online-JSTOR](#)
 Eichengreen, "[European Economic Community](#)," [3p] [Online](#)
 (Omit section on Monetary Unification.)
 James, "[History of the European Union](#)," [1p] [Online](#)
 Europa, "[History](#)," website with links [Online](#)

Jan 26 **4. The Chicken War**
 Talbot, "[The Chicken War](#)" [26p] [CTools](#)
 Johnson, "[Proclamation](#)," [1p] [Online](#)
 Ikenson, "[Ending the Chicken War](#)," [12p] [Online](#)
 Lawrence, "[The chickens have come home to roost](#)," [1p+comments] [Online](#)
 Dolan, "[To Outfox the Chicken Tax](#)," [3p] [Online-Proquest](#)
 Brown, "[U.S. May Drop 'Chicken Tax'](#)," [1p] [Online](#)
 Esterdahl, "[Current Negotiations](#)," [3p] [Online](#)
 (Omit section on Trade Agreements Impact.)

B. VOLUNTARY EXPORT RESTRAINTS

Jan 28 **5. VERs - General**
 Bhagwati, "[Rise of Protectionism](#)," [17p] [CTools](#)
 Jones, "[Voluntary Export Restraint](#)," [16p] [Online-HeinOnline](#)
 Preusse, "[Effective Means against a Spread of Neo-Protectionism?](#)" [14p] [Online-HeinOnline](#)
 ST&R, "[Mexico Limit Auto Exports to Brazil](#)," [1p] [Online](#)
 ST&R, "[Restrictions on Bilateral Footwear Trade](#)," [2p] [Online](#)">Online

Feb 2 **6. Autos; Steel**
 Wolf, "[Why voluntary export restraints?](#)" [19p] [Online-Wiley](#)
 Crandall, "[Effects of U.S. Trade Protection](#)," [18p] [Online-JSTOR](#)
 Pollack, "[Japan to End Export Restraints](#)," [2p] [Online](#)
 Benjamin, "[Voluntary Export Restraints on Automobiles](#)," [2p] [Online](#)
 Berry, et al., "[Evaluating a Trade Policy](#)," pp. 400-404, 428-429 only. [7p] [Online-JSTOR](#)

C. SAFEGUARDS AND ANTI-DUMPING

Feb 4 7. Safeguards - General

WTO, "[Safeguards](#)," [2p] [Online](#)
 Deardorff, "[Safeguards Policy](#)". [19p] [Online](#)
 Bown, "[Why Are Safeguards So Unpopular?](#)". [16p] [Online](#)
 Messerlin & Fridh, "[Proposals for Change](#)". [38p] [Online-HeinOnline](#)
 Bown & McCulloch, "[Are more safeguards the answer?](#)". [25p] [Online](#)

Feb 9 8. Harley-Davidson

Schaffer et al., "[Heavyweight Motorcycles](#)". [1p] [CTools](#)
 USITC, "[Heavyweight Motorcycles](#)". pp. 1-21 only. [21p] [Online](#)
 Irwin, "[Free Trade Under Fire](#)", pp. 173-175. [2p] [CTools](#)
 Kitano & Ohashi, "[Did safeguards resuscitate Harley-Davidson?](#)" [12p] [Online-Science Direct](#)
 Huze, "[Glad that you asked](#)". [1p + comments] [Online](#)

Feb 11 9. Chinese Tires

Grimmett, "[Chinese Tire Imports](#)". [33p] [Online](#)
 USTR, "[United States Prevails](#)". [1p] [Online](#)
 Mayer Brown, "[Appellate Body Upholds Special Safeguard](#)". [1p] [Online](#)
 Chung et al., "[Did Safeguard Save U.S. Workers?](#)". [12p] [Online](#)
 Hufbauer & Lowry, "[Saving Few Jobs at High Cost](#)". [14p] [Online](#)
 Charnovitz & Hoekman, "[Imposing Pain for Little Gain](#)". [24p] [CTools](#)

Feb 16 10. Anti-dumping Duties

WTO, "[Anti-dumping actions](#)". [1p] [Online](#)
 Deardorff, "[Economic Perspectives on Antidumping Law](#)". [15p] [Online](#)
 Deardorff & Stern, "[Centennial of Antidumping](#)". [10p] [Online](#)
 Mankiw & Swagel, "[Third Rail of Trade Policy](#)". [13p] [Online](#)
 Bown, "[Taking Stock of Antidumping](#)". [9p] [Online-Wiley](#)
 Besedes & Prusa, "[Antidumping and the Death of Trade](#)". [8p] [Online-NBER](#)

D. SUBSIDIES**Feb 18 11. Subsidies and Countervailing Duties**

WTO, "[Subsidies and countervailing measures](#)". [2p] [Online](#)
 Jackson, "[The Perplexities of Subsidies](#)". [25p] [CTools](#)

Feb 23 12. Boeing-Airbus

WTO, "[European Communities - Large Civil Aircraft](#)". [8p] [Online](#)
 WTO, "[United States - Second Complaint](#)". [7p] [Online](#)
 Krugman et al., "[Strategic Trade Policy](#)". [4p] [CTools](#)
 Kienstra, "[Cleared For Landing](#)". [39p] [Online](#)
 Hopher, "[U.S. to rap European Union](#)". [1p] [Online](#)

Hepher, "[EU may challenge U.S.](#)". [2p] [Online](#)

Feb 25 *****FIRST ISSUE BRIEF DUE 2:30 PM*****

13. Cotton Subsidies

WTO, "[United States - Subsidies on Upland Cotton](#)". [9p] [Online](#)

Gillson et al., "[Impact of Cotton Subsidies](#)", read only pp. 3-22, 63-66. [22p] [Online](#)

Woodward, "[Impact of U.S. Subsidies](#)". [13p] [Online](#)

Bjerga, "[U.S. Reaches Deal With Brazil](#)". [2p] [Online](#)

Spring Break: Mar 2-6

E. AGRICULTURE TRADE DISPUTES

Mar 9 **14. Agriculture Trade - General**

Peters & Pierre, "[Food Policy as a Wicked Problem](#)". [8p] [CTools](#)

Anderson, "[Evolution Since the 1950s](#)". [22p] [CTools](#)

Mar 11 *****TERM PAPER TOPIC DUE 2:30 PM*****

15. Banana Wars

Barkham, "[The banana wars explained](#)". [3p] [Online](#)

Telegraph, "[Banana war ends after 20 years](#)". [2p] [Online](#)

Rosegrant, "[Banana Wars](#)". [44p] [Online](#)

Olofson, "[Trade Gone Bananas](#)". [30p] [Online](#)

Mar 16 **16. Beef Hormone Dispute**

WTO, "[European Communities - Measures Concerning Meat](#)". [4p] [Online](#)

European Parliament, "[Win-win ending](#)". [1p] [Online](#)

Johnson & Hanrahan, "[The U.S.-EU Beef Hormone Dispute](#)". [22p] [Online](#)

Josling et al., "[Implications for Trade Policy](#)". [35p] [Online](#)

Nuthall, "[EU and US Try to Resolve Beef Hormone Dispute](#)". [1p] [Online](#)

Harrison-Dunn, "[EU-US beef import extension](#)". [1p] [Online](#)

Mar 18 **17. Genetically Modified Organisms**

WTO, "[European Communities - Measures Affecting Biotech Products](#)". [4p] [Online](#)

Lynch & Vogel, "[The Regulation of GMOs](#)". [36p] [Online](#)

Castle, "[GM food must be allowed into Europe](#)". [2p] [Online](#)

Palmer, "[The WTO GMO Dispute](#)". [13p] [Online](#)

Bennett, "[GMO Crops Can Be Good](#)". [1p] [Online](#)

F. EXPORT RESTRICTIONS

Mar **18. Export Restrictions - General**

- 23 Bouët & Laborde, "[Economics of Export Taxes](#)". [20p] [Online](#)
Anania, "[Agricultural Export Restrictions and the WTO](#)". [37p] [Online](#)
- Mar** *****SECOND ISSUE BRIEF DUE 2:30 PM*****
25 **19. Export Restrictions - Examples**
Fliess et al., "[Recent Developments in the Use of Export Restrictions](#)". [33p] [Online](#)
Deardorff, "[A Sample of News about Export Restrictions](#)". [14p] [CTools](#)
OECD, "[Inventory of Restrictions on Exports](#)". website. [Online](#)
- Mar** **20. OPEC**
30 Deardorff, "[The Simple Theory of Cartels](#)". [5p?] [CTools](#)
Bouman, "[Oligopoly and Game Theory](#)". [2p] [Online](#)
Carlton & Perloff, "[OPEC](#)". [6p] [CTools](#)
OPEC, "[Brief History](#)". [2p] [Online](#)
OPEC, "[Our Achievements @ 50](#)". [6p] [Online](#)
Zycher, "[OPEC](#)". [5p] [Online](#)
Garland, "[OPEC Crude Oil Prices from 1960-2013](#)". [1p] [Online](#)
Bobrow & Kudrle, "[Theory, Policy, and Resource Cartels](#)". [54p] [Online](#)
Fahey, "[What Are OPEC Nations Thinking?](#)". [2p] [Online](#)
Hirst, "[OPEC Votes Not To Cut Production](#)". [4p] [Online](#)

G. FREE TRADE AGREEMENTS

- Apr 1** *****SUBMIT INTENT TO DO PRESENTATION*****
21. FTAs - General & NAFTA
Irwin, "[Trade Agreements](#)," (repeat from above) [5p] [Online](#)
Scott, "[NAFTA's failure has cost the United States](#)". [13p] [Online](#)
Hufbauer et al., "[NAFTA at 20](#)". [22p] [Online](#)
- Apr 6** **22. FTAs under Consideration**
TPP: Trans-Pacific Partnership
Barfield, "[A Model for Twenty-First-Century Trade Agreements?](#)". [15p] [Online](#)
Wallach, "[NAFTA on Steroids](#)". [5p] [Online](#)
Eichelberger, "[The Biggest Secret Trade Deal](#)". [7p] [Online](#)
TTIP: Trans-Atlantic Trade and Investment Partnership
Europa, "[The Economic Analysis Explained](#)". [18p] [Online](#)
Buchanan, "[Have we lost our democratic privileges?](#)". [6p] [Online](#)
Kanter & Jolly, "[Plans to Press Ahead](#)". [4p] [Online](#)
EU-Ukraine
Hellyer, "[EU-Ukraine free trade area explained](#)". [3p] [Online](#)
Chaffin & Olearchyk, "[EU courts Ukraine](#)". [2p] [Online-Proquest](#)
Olearchyk & Spiegel, "[Ukraine puts talks on hold](#)". [2p] [Online-Proquest](#)
Olearchyk, "[Thousands protest in Kiev](#)". [3p] [Online-Proquest](#)
China-Taiwan
China-Taiwan website, browse. [Online](#)
Ramzy, "[Opponents of Trade Deal Occupy Legislature](#)". [2p] [Online](#)

Anderlini, "[Thousands of Taiwanese rally](#)". [3p] [Online-Proquest](#)

H. TRADE SANCTIONS

Apr 8 **23. Sanctions - General**

Elliott et al., "[Sanctions](#)". [8p] [Online](#)

Kryvoi, "[Why European Union Trade Sanctions Do Not Work](#)". [38p] [Online](#)

Friedman, "[Smart Sanctions](#)". [7p] [Online](#)

Apr **24. Sanctions against Russia**

13 Dyer, "[War by Other Means](#)". [5p] [Online-Proquest](#)

Pifer, "[Can Sanctions Deter Putin's Plans for Ukraine?](#)" video. [Online](#)

Gaddy & Ickes, "[Can Sanctions Stop Putin?](#)" [7p] [Online](#)

Apr **Presentations and Wrap-Up**

15

Apr *****TERM PAPERS DUE 2:30 PM*****

20 **No class, probably** (I should know by the end of January.)

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Return to: [PubPol 495](#)
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