

PSCI 683/402: Politics of International Trade

Fall, 2013

RCH 106, Thursdays 9:30-12:20

Instructor: Horatiu Rus

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Office Location: Hagey Hall 203

Office Hours: Friday 1-3 pm (or by appointment)

Course Description: This advanced undergraduate/graduate political economy seminar proposes an examination of the political underpinnings of international trade, taking a national, regional and multilateral perspective. The material discussed is both theoretical and applied with special attention to key institutional arrangements – including interest groups, domestic institutions and international intergovernmental organizations - important to trade policy making.

Requisites: 4A Honours Political Science (or by permission)

Course Objectives:

By the end of this course, students should:

- Understand the evolution of international trade in the pre- and post WWII period
- Understand the economic arguments for and against free trade and their limitations
- Become familiar with key concepts and institutions in international trade
- Understand the main debates around the key domestic determinants of trade policy making and their international role
- Become familiar with the most important policy debates pertaining to Canada's international trade
- Develop familiarity with non-trade ramifications of trade policy and understand the interactions with other public policy areas such as: development, labour markets and environmental regimes.

Course Requirements, Expectations, and Standards:

Attendance: All students are expected to attend class. Penalties for an unreasonable number of absences throughout the term may be imposed.

Participation: This is a seminar and thus all students are expected to fully engage with the readings and participate in the class discussions every week. Each student should take a reasoned position based on each of the reading components. A component of your grade will reflect this. (see below)

Requirements and Evaluation:

Participation and weekly response papers: 20%

Readings for class discussion and short written assignments will be assigned each week. Your *critical analysis* of these readings written up in a 1-2 page response paper is due in class. This material will also constitute the starting point for the discussion part of each class. Weekly papers will be marked on a binary (pass or fail) scale.

Midterm Exam: 25%

This in-class exam will be based on the material covered in class and will consist of several short-essay questions. Please note: Student travel plans are not an acceptable reason for granting an alternative examination time.

Presentation and Referee Report : 15% + 5%

The last two classes will be mainly dedicated to student presentations. Each student will present the core argument of their final essay in a short class presentation. The use of slides and/or audience handouts is encouraged. Every paper presentation will be assigned a *student referee*, who will read the material ahead of time and will provide brief comments on the paper following the presentation. The intention is for each of you to receive constructive feedback on your work from your peers (referee and the rest of the class) before writing up the final papers.

Final Essay: 35%

This is a research paper on a specific topic relating to the themes of the course. The topic proposal must be submitted to the instructor for approval by *October 31, 2013*. The final essay will be due on *December 12, 2013* and will consist of approximately 15 double-spaced pages.

Late Policy:

Late submissions of the weekly written assignments and/or the final essay will suffer a penalty equivalent to 10% for every day they are late. Unless with the instructor's permission, no late work will be accepted more than 5 days after deadline.

Materials:

Important: *Please note that although changes to the following list of materials and readings are probable, this file will not be updated throughout the term. Up-to-date versions of the list of materials and the weekly schedule are available from the instructor or via UW-LEARN.*

These Texts are available online via the UW library:

1. Brian Hocking and Steven McGuire (Eds.), "Trade Politics" (2nd edition), Routledge, 2004.
2. Michael Hart, "A Trading Nation: Canadian Trade Policy from Colonialism to Globalization," UBC Press 2002
3. Joseph Stiglitz and Andrew Charlton, "Fair Trade for All: How Trade can Promote Development," Oxford University Press, 2005.

These Texts are on 3-hour reserve at the Dana Porter Library.

4. E. Helpman, "Understanding Global Trade", Harvard University Press, 2011.
5. I.M. Destler, "American Trade Politics", Institute for International Economics, 2005.
6. Bernard M. Hoekman, Michel M. Kostecky. "Political economy of the world trading system : the WTO and beyond", 2009.
7. Dani Rodrik, "The Globalization Paradox: Democracy and the Future of the World Economy", W. W. Norton, 2011.
8. Bernstein William J., "A Splendid Exchange: How Trade Shaped the World." New York: Atlantic Monthly Press, 2008.

Schedule and Readings:

All students are required to read the textbook chapters and additional readings for every section. Please note that this list is general and tentative. Updates are probable and will be announced in advance. The course webpage (on LEARN) will provide a more detailed outline including links to many readings additional to the textbooks. Normally a campus (or off-campus proxy) internet connection may be required for free access to electronic journals. I will make clear in class which of the readings are the subject of the following week's position papers.

Week 1: The Evolution of International Trade

Reading 1: Hoekman ch.1: The Trading System in Perspective.

Other readings:

- Bernstein Intro-ch. 8

Week 2: The Positive Economics of Trade and Political Implications

Reading 1: Joseph Grieco and John Ikenberry, ch. 2: The Economics of International Trade in "State Power and World Markets: The International Political Economy", W.W. Norton, 2002.

Reading 2: Hoekman annex 2: The Economics of Trade Policy: Basic Concepts

Reading 3: Paul Krugman. "Ricardo's Difficult Idea" in *The Economics and Politics of International Trade*. <http://web.mit.edu/krugman/www/ricardo.htm>

Reading 4: Rodrik, Dani. "Why Doesn't Everyone Get the Case for Free Trade?" Chapter 3 in Dani Rodrik, *The Globalization Paradox*, New York: W.W. Norton, 2011, pp.47-66

Reading 5: D. Rodrik (1995), "Political Economy of Trade Policy." NBER 1994 Available at: <http://www.nber.org/papers/w4870>

Reading 6: E. Helpman: "Politics and Trade Policy". NBER 1995. Available at: Helpman: <http://www.nber.org/papers/w5309>

Other readings:

- Eaton, Jonathan, and Samuel Kortum. 2012. "Putting Ricardo to Work." *Journal of Economic Perspectives*, 26(2): 65-90.
- Helpman, ch.3.

Week 3: Key debates in International Trade

Reading 1: Helen Milner, "The Political Economy of International Trade." *Annual Review of Political Science*, 1999, p. 91-114.

Reading 2: Dani Rodrik, "Bretton Woods, GATT, and the WTO: Trade in a Politicized World" in "The Globalization Paradox: Democracy and the Future of the World Economy" (W. W. Norton, 2011), p. 67-88.

Reading 3: Paul Krugman, "Is Free Trade Passe?" *Journal of Economic Perspectives* 1 (2) 1987.

Reading 4: Alan Deardorff and Robert Stern, "What You Should Know About Globalization and the WTO," *Review of International Economics* 10 (3) 2002.

Reading 5: Paul Krugman "Trade and Inequality, Revisited" Vox EU June 2007 <http://www.voxeu.org/index.php?q=node/261>

Reading 6: Acemoglu, Daron, and James A. Robinson. 2013. "Economics versus Politics: Pitfalls of Policy Advice." *Journal of Economic Perspectives*, 27(2): 173-92.

Other readings:

- Haskel, Jonathan, Robert Z. Lawrence, Edward E. Leamer, and Matthew J. Slaughter. 2012. "Globalization and U.S. Wages: Modifying Classic Theory to Explain Recent Facts." *Journal of Economic Perspectives*, 26(2): 119-40.

Week 4: Trade and Domestic Institutions

Reading 1: James E. Alt and Michael Gilligan. "The Political Economy of Trading States: Factor Specificity, Collective Actions Problems and Domestic Political Institutions," *Journal of Political Philosophy* 2:2, 1994, p. 165-192.

Reading 2: Helen Milner and Benjamin Judkins. "Partisanship, Trade Policy, and Globalization: Is There a Left-Right Divide on Trade Policy?" *International Studies Quarterly* (2004) 48, p. 95-119.

Reading 3: Ronald Rogowski, 1987, "Trade and the Variety of Democratic Institutions," *International Organization*, 41.

Reading 4: Edward Mansfield, Helen Milner and B. Peter Rosendor, 2000. "Free to Trade: Democracies, Autocracies and International Trade." *American Political Science Review*. 94(2): 305-322.

Reading 5: Destler ch.1 .Available at: <http://tinyurl.com/k87ktxk>.

Other readings:

- Grossman, Gene M & Helpman, Elhanan, 1994. "Protection for Sale," *American Economic Review*, American Economic Association, vol. 84(4), p. 833-50.
- Reading 5: Fiona McGillivray, 1997. "Party Discipline as a Determinant of the Endogenous Formation of Tariffs," *American Journal of Political Science* 41: 117 - 146

Week 5: American Trade Policy Making

Reading 1: Destler chapters 2-7

Reading 2: Michael A. Bailey, Judith Goldstein, and Barry. Weingast. 1997. "The Institutional Roots of American Trade Policy." *World Politics* 49(3): 309-338.

Reading 3: Hocking ch. 2

Reading 4: Milner, Helen V. & Tingley, Dustin H., 2011. "Who Supports Global Economic Engagement? The Sources of Preferences in American Foreign Economic Policy," *International Organization*, Cambridge University Press, vol. 65(01), pages 37-68.

Other readings: tba.

Week 6: Canadian Trade Policy Making

Reading 1: Hart ch. 1-3, 5-7, 14-16

Reading 2: Kukucha , Christopher. "Domestic Politics and Canadian Foreign Trade Policy: Intrusive Independence, the WTO and NAFTA." *Canadian Foreign Policy* 10 (Winter, 2003): 59-85.

Reading 3: Kukucha , Christopher. "The Provinces and Canadian Foreign Trade Policy" UBC Press 2008. Available at: <http://tinyurl.com/kxd4jks>

Reading 4: Patrick Leblond, "The Canada-EU Comprehensive and Economic trade Agreement: More to it than Meets the Eye," *Policy Options* (2010)"

Reading 5: Lin Ai, Michael Burt, "Walking the Silk Road: Understanding Canada's Changing Trade Patterns" The Conference Board of Canada, 2012. Available at: <http://tinyurl.com/mseokp3>

Other readings:

- Canada's State of Trade: Trade and Investment update 2012. Available at: <http://tinyurl.com/keb4hqc>.
- Marc Lee and Erin Weir , "The Myth of Interprovincial Trade Barriers and TILMA's Alleged Economic Benefits ", Canadian Centre for Policy Alternatives, 2007.
- David Andolfatto, "Interprovincial Trade Barriers and the TILMA", SFU 2007. Available at : <http://www.sfu.ca/~dandolfa/tilma.pdf>

Week 7: Trade Multilateralism under the GATT/WTO

Reading 1: Hocking ch. 7,8,10

Reading 2: Hoekman ch. 2, 8, 13, 14

Reading 3: Judith Goldstein, Douglas Rivers, and Michael Tomz. 2007. "Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade," *International Organization* 61: 3767.

Reading 4: Paul R. Krugman. "What Should Trade Negotiators Negotiate About?" *Journal of Economic Literature*, Vol. XXXV (March 1997) pp. 113-120.

Other readings: tba.

Week 8: Trade Regionalism and Preferential Trade Agreements

Reading 1: Destler ch.8

Reading 2: Hoekman ch. 10

Reading 3: Hocking chapters 2,3,4,5,6, 18

Reading 4: Richard Baldwin. *21st Century Regionalism: Filling the Gap Between 21st Century Trade and 20th Century Trade Rules*, available
http://wto.org/english/res_e/reser_e/ersd201108_e.pdf

Reading 5: Kerry Chase, "Economic Interests and Regional Trading Arrangements." *International Organization* 57 (1) 2003.

Reading 6: Edward Mansfield and Eric Reinhardt, "Multilateral Determinants of Regionalism." *International Organization* 57 (4) 2003.

Other readings:

- Anne Krueger, "Are Preferential Trading Agreements Trade-Liberalizing or Protectionist?" *Journal of Economic Perspectives* 13 (4) 1999.
- Bhagwati, J. & Panagariya, A., 1996. "Preferential Trading Areas and Multilateralism: Strangers, Friends or Foes?," Discussion Papers 1996_09, Columbia University, Department of Economics.

Week 9: Trade and Development/Labour Standards

Reading 1: Dani Rodrik: "The Global Governance of Trade – As If Development Really Mattered", UNDP (2001).

Reading 2: Hocking ch. 9,16

Reading 3: Helen Milner and Keiko Kubota, "Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries", *International Organization* 59:01, p. 107-143.

Reading 4: Stiglitz and Charlton, ch. 8-13

Reading 5: Hanson, Gordon H. 2012. "The Rise of Middle Kingdoms: Emerging Economies in Global Trade." *Journal of Economic Perspectives*, 26(2): 41-64.

Reading 6: Robert Z. Lawrence. "A True Development Round?" Review of *Fair Trade for All* by Joseph Stiglitz and Andrew Charlton. *Journal of Economic Literature*, December 2007. Vol. XLV, Number 4.

Other readings:

- Krueger, Anne. 1997. "Trade Policy and Economic Development: How We Learn." NBER Working Paper 5896. Cambridge MA.
- Dollar, David and Art Kraay. 2001. "Trade, Growth, and Poverty." World Bank Policy Research Working Paper, No. 2615.
- Goldberg, Pinelopi and Nina Pavcnik. 2007. "Distributional Effects of Globalization in Developing Countries". *Journal of Economic Literature* 45 (1): 39-82.
- Erik Edmonds and Nina Pavcnik, "Child Labor in the World Economy." *Journal of Economic Perspectives* 19 (1) 2005.

Week 10: Trade and the Environment/ Trade and Finance

Reading 1: Hocking chapter 15

Reading 2: Daniel Esty, "Bridging the Trade-Environment Divide." *Journal of Economic Perspectives* 15 (3) 2001.

Reading 3: Gary Sampson, "Effective Multilateral Environment Agreements and Why the WTO Needs Them." *The World Economy* 24 2001.

Reading 4: Jeffrey Frankel and Andrew Rose, "Is Trade Good or Bad for the Environment? Sorting out the Causality." *The Review of Economics and Statistics* 87 (1) 2005.

Reading 5: Barry Eichengreen, Douglas A. Irwin, 2009, "The Slide to Protectionism in the Great Depression: Who Succumbed and Why?" NBER Working Paper.

Other readings:

- Richard Baldwin and Simon Evenett (eds.) *The Collapse of Global Trade, Murky Protectionism and the Crisis*, (2009) Vox.org, http://www.voxeu.org/reports/Murky_Protectionism.pdf

Week 11: Final Essay Presentations and Referee Reports

Week 12: Final Essay Presentations and Referee Reports

University Regulations:

Academic Integrity:

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to Policy 71 - Student Discipline, <http://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-71>.

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70 - Student Petitions and Grievances, Section 4, <http://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70>. In addition, consult <http://arts.uwaterloo.ca/student-grievances-faculty-arts-processes> for the Faculty of Arts’ grievance processes.

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read Policy 72 - Student Appeals, <http://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-72>.

Academic Integrity website (Arts):

http://arts.uwaterloo.ca/arts/ugrad/academic_responsibility.html

Academic Integrity Office (uWaterloo): <http://uwaterloo.ca/academic-integrity/>

Accommodation for Students with Disabilities:

Note for students with disabilities: The AccessAbility Services (AS) Office, located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS Office at the beginning of each academic term.

Turnitin.com: Plagiarism detection software (Turnitin) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. In the first week of the term, details will be provided about the arrangements for the use of Turnitin in this course. Note: students must be given a reasonable option if they do not want to have their assignment screened by Turnitin. See <http://uwaterloo.ca/academic-integrity/integrity-waterloo-faculty/turnitin-waterloo> for more information.