

BRANDEIS INTERNATIONAL BUSINESS SCHOOL

Econ 260a, Spring 2012
International Trade Policy and Institutions
Syllabus v2



International trade is a tough business.
 (From the first international trade textbook: Marco Polo, *Il Milione*, Venice, 1299)

CONTACT INFORMATION

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 Office hours: Wednesday 3:30-5:00 p.m. and by appointment (make by email).
 Email is the most efficient way to reach me outside of class or office hours.

COURSE DESCRIPTION

Using theory and case studies, the course examines the logic and benefits of international trade and investment; policy interventions such as tariffs and non-tariff barriers; the effects of trade, investment and related policies on businesses, consumers and countries; and the global framework of international trade agreements.

LEARNING GOALS

What do these have in common: Brazil, China, the United States, and 200 other countries; cotton farmers, factory workers, Wall Street bankers and rocket scientists; Tata, Gucci, Wal-Mart and the local 7-11? Answer: much of their livelihood depends on international trade. How does trade work and what frictions does it create? What institutions, rules and policies manage those frictions? ECON 260a explores the theory and practice of international trade in order to satisfy major learning objectives of the MA program. Students should have prior preparation in microeconomics (in terms of Brandeis courses, ideally at the ECON 80a level).

The course is designed to help students:

1. *Understand the logic of international trade.* Asked to name one proposition in the social sciences that was “true and non-trivial,” Nobel Laureate Paul Samuelson picked comparative advantage, pointing to “thousands of important and intelligent men who have never been able to grasp the doctrine for themselves or to believe it after it was explained to them.” Trade is discussed passionately, but too often through the lens of special interest. Rigorous analysis is essential for contributing meaningfully to debates on globalization.

2. *Recognize the implications of trade and related policies.* For better or typically worse, governments use trade and related policies (such as tariffs, antidumping duties, product standards, etc.) to discriminate between foreign and domestically produced goods and services. Policy makers and people who manage, invest in, or advise firms need to know how economies, businesses and workers are affected by trade policy.

3. *Become familiar with the rules and institutions of international trade.* Using a variety of case studies, the course will examine how trade rules are negotiated, maintained and enforced by international institutions. Special attention will be paid to the World Trade Organization and regional trading arrangements.

Class meetings will be split between lectures to clarify theory and discussions that put knowledge to work on “real world” cases. Students are expected to attend every class well prepared and will be graded in part for participation.

ACADEMIC HONESTY

You are expected to be honest in your academic work. The University policy on academic honesty is distributed annually in the Rights and Responsibilities handbook. Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University. If you have any questions about these expectations, please ask. Academic dishonesty will not be tolerated and will be rigorously prosecuted.

NO LAPTOPS EXCEPT FOR DOCUMENTED DISABILITY

Laptops or other electronic devices may not be used in the class. Exceptions may be made by the professor based on a letter from the University Coordinator of Disabilities Services and Support. If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation for this class, please see the professor immediately. Accommodations will not be provided retroactively.

GRADING

- Class Participation/Preparation (20%) [in our discussion of cases and other relevant areas]
- Problem Sets (25%)
- The Movie (25%)
- Midterm Exam (30%)

PROBLEM SETS

Problem sets should be completed by each student independently; they are not group projects. Late assignments will not be accepted. If you have a conflict on the day the assignment is due, please send your assignment with a friend or turn it in early (due dates are in the course schedule).

THE MOVIE

In late January students will be assigned to teams to make a movie on a key trade or trade policy issue. Topics may include a trade negotiation, a WTO dispute, a trade or investment event (say, the purchase of a US company by a foreign company), or the costs and benefits of trade in a country or industry. The goal is to develop sound economic insights into an issue while telling an interesting story. (The terrible TV reporting of Lou Dobbs provides a kind of anti-model for this project.)

Movies should be based on solid research involving on-line documents, government publications, reports in the media, and reports on/by private companies, NGOs, and academic sources. The IBS technology office will provide technical advice and support. Teams will have to submit: (1) a written “story line” on March 12, (2) a short movie clip to indicate progress on April 2, and (3) the final movie on April 25. Movies will be posted on a private Youtube channel and the semester will conclude with the traditional spectacular award ceremony recognizing the best films.

READINGS

LATTE will be used extensively for readings that are not required for purchase, and for assignments, grades, problem sets, answer keys. Please check the site frequently. We will use Word, PDF, PPT.

TEXTBOOK REQUIRED FOR PURCHASE (BOOKSTORE)

- Steven Husted and Michael Melvin, *International Economics*. 8th edition, 2009. Addison-Wesley.

Cases required for purchase are divided into three packs. The “Corn Laws” pack only has the Corn Laws case (which some students already have). Pack 1 is available at the start of the semester; Pack 2 will be finalized on March 15 so that we can adjust its contents later in the semester. You can download packs online from Harvard Business School by clicking the link in LATTE. The contents of the packs are:

CASE PACK “CORN LAWS” (AVAILABLE ONLINE)

- David A. Moss, Marian Lee, Kevin Brennan, Matt Gorin, “Free Trade vs. Protectionism: The Great Corn-Laws Debate” (HBS 9-701-080)

CASE PACK 1 (AVAILABLE ONLINE)

- Nabil Al-Najjar and Sandeep Baliga, “Sugar Daddy: Quotas and the U.S. Government” (KEL001)
- Regina Abrami, “China and the WTO: What Price Membership?” (HBS 9-707-032)
- Regina Abrami and Tracy Yuen Manty, “Real Blue? Viagra and Intellectual Property Rights Law in China” (HBS 9-910-409)
- Christine Davies and Peter Debaere, “Thought This Was Easy? U.S.-Thailand Free Trade Agreement” (UV2714)

CASE PACK 2 (PRELIMINARY, FINAL VERSION TO BE AVAILABLE ONLINE ON MARCH 21)

- Rawi Abdelal et al. “The Market and the Mountain Kingdom: Change in Lesotho’s Textile Industry” (HBS 9-706-043)
- Geoffrey Jones, Carin-Isabel Knoop and Ricardo Retsen de Pinho, “Brazil at the Wheel” (HBS 9-804-080)
- Felix Oberholzer-Gee, Tarun Khanna and Carin-Isabel Knoop, “Apollo Hospitals – First-World Health Care at Emerging-Market Prices” (HBS 9-706-440)

COURSE STRUCTURE

1. *Theories of international trade (January to mid February)*. National supply and demand, comparative advantage, gains from trade, Ricardian model, Heckscher-Ohlin model and theorems (Rynbczynski, factor-price equalization, Stolper-Samuelson), political economy, increasing returns to scale.

2. *Interventions in trade (late February)*. Import tariffs, consumer and producer surplus and the welfare effects of tariffs, quotas and other non-tariff barriers, effects on prices and the terms of trade, arguments for and against protection.

3. *Trade policy in practice (March)*. Political economy of trade policy, trade policy history, international negotiations and the prisoners’ dilemma, the GATT rounds, the Doha Round, principles and functions of the WTO, intellectual property, regional free trade agreements.

4. *International investment (April)*. Foreign direct investment, trade and development, industrial policy and strategies for entering the global trading system.

COURSE SCHEDULE SPRING 2012

DATE	TOPIC	READINGS	DUE
W 18-Jan	L1: Introduction	Chapter 1	
M 23-Jan	L2: Analytical tools I	Chapter 2	
W 25-Jan	L3: Analytical tools II	Chapter 2	
M 30-Jan	L4: Ricardian model I	Chapter 3	Problem set 1
W 1-Feb	L5: Ricardian model II	Chapter 3	
M 6-Feb	C1: Opening trade	Case: Corn Laws	Problem set 2
W 8-Feb	L6: Heckscher-Ohlin I	Chapter 4	
M 13-Feb	L7: Heckscher-Ohlin II	Chapter 4	
W 15-Feb	L8: Economies of scale	Chapter 5 (pp. 137-143)	Problem set 3
M 20-Feb	NO CLASS		
W 22-Feb	NO CLASS		
M 27-Feb	L9: Tariffs I	Chapter 6	
W 29-Feb	L10: Tariffs II	Chapter 6	
M 5-Mar	L11: Non-tariff barriers	Chapter 7	Problem set 4
W 7-Mar	C2: Impact of protection	Case: Sugar Daddy	
M 12-Mar	L12: Protect or not?	Chapter 8	
W 14-Mar	REVIEW		Movie story line
M 19-Mar	MIDTERM		
W 21-Mar	L13: Trade policy in practice	Chapter 9	
M 26-Mar	C3: WTO obligations	Case: China and the WTO	
W 28-Mar	C4: Intellectual property	Case: Real blue?	
M 2-Apr	C5: Negotiating an FTA	Case: Thought this was easy?	Movie progress
W 4-Apr	C6: U.S. trade strategy	Case: Trans-Pacific Partnership	
M 9-Apr	NO CLASS		
W 11-Apr	NO CLASS		
M 16-Apr	L14: Status of the TPP	Guest: US negotiator (invited)	
W 18-Apr	C7: Entering global markets	Case: Lesotho Chapter 10 (pp. 272-276)	Problem set 5
M 23-Apr	C8: Industrial policy	Case: Brazil at the Wheel	
W 25-Apr	C9: Foreign investment strategy	Case: Apollo India	Movie
M 30-Apr	Movies		

Note: Additional readings are provided on LATTE. Changes may be made during the semester.