

**DEPARTMENT OF ECONOMICS AND FINANCE**  
College of Management and Economics

**ECON\*4880 - Advanced Topics in International Economics**

**Winter 2012**

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It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

<http://www.economics.uoguelph.ca/student-responsibilities-policies.asp>

**COURSE OUTLINE**

This course will examine a number of policy issues related to trade between Canada and the rest of the world. Particular attention will be paid to the North American Free Trade Agreement (NAFTA), its predecessor, the Canada-U.S. Free Trade Agreement (FTA), the World Trade Organization (WTO) and current trade issues. Students are expected to develop a thorough and detailed understanding of these issues and to formulate a thoughtful personal perspective on them by blending economic theory with other relevant considerations. We will follow current trade news closely and assess how trade patterns are affected by unfolding political and economic events.

Two books should be obtained for this course. The first is *The NAFTA: What's In, What's Out, What's Next* by Dick Lipsey, Daniel Schwanen and Ronald Wonnacott (NA). It contains an excellent summary of the provisions of the NAFTA. It is available in a special edition prepared for our class at the University Bookstore. The second is a controversial book by prominent trade economist Jagdish Bhagwati called *Termites in the Trading System: How Preferential Agreements Undermine Free Trade* (TERM). It will be available in a number of formats. First, a free ebook version will be available through the library Ares service, which you can access via Courselink. However, this ebook can be viewed by only one reader at a time. Second, some hard copies of the book will be on reserve in the library. Third, the bookstore will have some second-hand hard copies for sale. Fourth, you can purchase an ebook version for your own use at [ebookstore.sony.com](http://ebookstore.sony.com) for \$11.16 (as of January 6, 2012). Check the top of the webpage to make sure you are at the Canadian store.

We will also read a number of chapters from two other books. The first is *The Regulation of International Trade*, 3<sup>rd</sup> edition, by trade lawyers Michael Trebilcock and Robert Howse (REG). This book focuses on the rules and institutions that regulate international trade. It is available through Courselink. The second is *Free Trade Under Fire*, 3<sup>rd</sup> edition, by economist Douglas A. Irwin (FIRE). This book discusses a number of policy issues related to the controversies over free trade versus protectionism. The relevant chapters, Chapters 5 and 7 are also available through Courselink.

Other assigned readings will be available through Courselink. The full texts of the NAFTA and the Uruguay Round agreements are available on the internet and may be found using any of the common search engines. Consult the instructor if you need help. It is vital to follow current developments in the press, especially in *The Globe and Mail* or *National Post*, one of which you should read every day.

The course will be evaluated by means of two written homework assignments (15% each) based on the lecture and reading material, class participation (10%), participation in an assigned debate (25%), and a final exam (35%). The final exam is on Apr. 9, 2012 from 2:30 p.m. to 4:30 p.m.

The course also involves presentations by a number of guest speakers from a variety of different disciplines and perspectives. The purpose of the guest speakers is to broaden the students' perspective so that economic principles may be applied to trade issues in the context of political, legal, institutional and business cultures and realities. The guest speakers are volunteering their services and often coming from Toronto or Ottawa. It is important that all class members make every effort to attend their talks, and ask polite but challenging questions.

Debate topics will be distributed by the third week of class, and you will be asked to sign up for a debate at that time. You will also receive a handout instructing you in the rules for our classroom debates. All teams preparing debates are encouraged to consult with the instructor. Participating in the debate is a compulsory part of the course.

You will be expected to come to class well prepared, having read any required material and be able to summarize it, comment on it and raise questions based upon it. Class participation marks will be rewarded based on such informed and pertinent questions and comments.

If you are unable to write the examination or complete an assignment on time due to illness or compassionate reasons, please advise me in writing, stating your name, address and an e-mail address where you may be contacted. Where possible, this should be done in advance of the exam or assignment due date, but otherwise, as soon as possible thereafter, and certainly no longer than one week later. If appropriate documentation is necessary, I will request it of you.

I want to be accessible to all students who would like to discuss course material with me. My office hours will be on **Tuesdays and Thursdays from 3:00 to 4:30**. If you cannot make it at these times or feel that you are having difficulty seeing me, please set up an appointment by speaking to me after class.

**Course Evaluation:** You will be asked to complete an evaluation of this course at some time during the last two weeks of the semester. **The course evaluations will be held in class.** The Department of Economics policy regarding the conduct and use of these evaluations will be found at:

<http://www.economics.uoguelph.ca/course-evaluation.asp>

The following course schedule is flexible and preliminary. In particular, changes may occur to accommodate guest speakers, and readings may be added. A revised schedule containing specific dates for lectures and assignment distribution and due dates will be distributed as soon as the guest speakers are confirmed.

## **THE ECONOMICS OF FREE TRADE AND TRADE POLICY**

*REG*, Chapter 1, pp. 1- 20.

Krugman and Obstfeld, *International Economics: Theory and Policy*, Eighth or Ninth Edition, Chapters 8 and 9.

Richard G. Harris, "Summary of a Project on the General Equilibrium Evaluation of Canadian Trade Policy," in Whalley, *Canada-United States Free Trade*, 155-177.

*FIRE*, Chapters 2 and 3.

## **THE MULTILATERAL INSTITUTIONS OF TRADE, MFN AND NATIONAL TREATMENT**

Crowley, "An Introduction to the WTO and GATT," *Federal Reserve Bank of Chicago Economic Perspectives*, 4<sup>th</sup> Quarter, 2003, pp. 42-57.

*REG*, Chapter 1, pp.21-48 and Chapters 2 and 3.

*FIRE*, Chapter 7.

## **NORTH AMERICA AND THE GLOBAL ECONOMY: BACKDROP FOR THE NAFTA**

*NA*, Chapters 1, 2, and 3.

## **TRADE IN GOODS, TARIFFS AND NAFTA RULES OF ORIGIN**

*REG*, Chapter 6.

*NA*, Chapter 4.

Johnson, *What is a North American Good? The NAFTA Rules of Origin*, C.D. Howe Institute Commentary #40.

## **AGRICULTURAL TRADE**

*REG*, Chapter 11.

## **SERVICES AND INVESTMENT**

*NA*, Chapter 5.

*REG*, Chapter 12 and 14.

Atik, "Repenser NAFTA Chapter 11: A Catalogue of Legitimacy Critiques," *Asper Review of International Business and Trade Law* 215 (2003).

## **GOVERNMENT PROCUREMENT, INTELLECTUAL PROPERTY AND CULTURE**

*NA*, Chapter 6.

*REG*, Chapter 13.

## **TRADE, THE ENVIRONMENT AND LABOUR CONDITIONS, EMPLOYMENT AND STANDARDS**

*NA*, Chapter 7.

*REG*, Chapters 16 and 17.

Krugman and Obstfeld, *International Economics: Theory and Policy*, Eighth or Ninth Edition, Chapter 11.

*FIRE*, Chapter 4.

## **ANTI-DUMPING, COUNTERVAIL, SAFEGUARDS AND DISPUTE-SETTLEMENT**

*NA*, Chapter 8.

*REG*, Chapters 4, 8, 9, 10 and 18.

Cadsby and Woodside, *Canada and the New Subsidies Code*, C.D. Howe Institute Commentary 75, Feb. 1996.

Howse, Robert, *Settling Trade Remedy Disputes: When the WTO Forum Is Better than the NAFTA*, C.D. Howe Institute Commentary 111, June 1998.

*FIRE*, Chapter 5.

## **IMPACT OF ECONOMIC INTEGRATION ON TRADE, INVESTMENT AND GOVERNMENT**

*NA*, Chapters 9, 10, 11 and 12.

*REG*, Chapter 20.

Cadsby and Woodside, "The Effects of the North American Free Trade Agreement on the Canada-United States Trade Relationship," *Canadian Public Policy*, Dec. 1993, pp. 450-462.

Romalis, "NAFTA's and CUSFTA's Impact on International Trade," *Review of Economics*

*and Statistics*, August 2007, pp. 416-435.

Trefler, "The Long and Short of the Canada-U. S. Free Trade Agreement," *American Economic Review*, Sept. 2004, pp. 870-895.

Burfisher, Robinson and Thierfelder, "The Impact of NAFTA on the United States," *Journal of Economic Perspectives*, Winter 2001, 125-144.

## **REGIONAL AND BILATERAL TRADE ARRANGEMENTS VERSUS MULTILATERAL FREE TRADE**

*TERM*, entire book.

Baldwin, "Stepping Stones or Building Blocs? Regional and Multilateral Integration," Graduate Institute of International Studies, Geneva, 2004.

Limão, "Are Preferential Trade Agreements with Non-trade Objectives a Stumbling Block for Multilateral Liberalization?" *Review of Economic Studies*, July 2007, pp. 821-855.

Baldwin, "Multilateralising Regionalism: Spaghetti Bowls as Building Blocs on the Path to Global Free Trade," *The World Economy*, Nov. 2006, pp. 1451-1518.

Panagariya, "Preferential Trade Liberalization: The Traditional Theory and New Developments," *Journal of Economic Literature*, June 2000, pp. 287-331.