



## Department of Economics and Finance

### **ECON\*4880 Topics in International Economics Winter 2014**



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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:

[https://dev.web.uoguelph.ca/economics\\_d7/important-notice-about-students-responsibilities-and-university-policies](https://dev.web.uoguelph.ca/economics_d7/important-notice-about-students-responsibilities-and-university-policies)

### **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 Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the North American Free Trade Agreement (NAFTA), its predecessor, the Canada-U.S. Free Trade Agreement (FTA), the World Trade Organization (WTO) including the recently negotiated Bali Package, and other 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.

A book entitled *The NAFTA: What's In, What's Out, What's Next* by Dick Lipsey, Daniel Schwanen and Ronald Wonnacott (NA) should be obtained for this course. 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.

We will also read a number of chapters from two other books. The first book is *The Regulation of International Trade*, 4<sup>th</sup> edition, by trade lawyers Michael Trebilcock, Robert Howse and Antonia Eliason (REG4). This book focuses on the rules and institutions that regulate international trade. It is available at the reserve desk in the library. Alternatively, the older 3<sup>rd</sup> edition of this book by Trebilcock and Howse alone is available as an ebook through Courselink (REG3). It is far preferable to read the new fourth edition, which has just been published. However, if you cannot make it to the reserve desk, there is still a lot of valuable material in the earlier third edition. The material in this book is often challenging to read and much of it is not required but rather recommended for those who want more background on particular topics. The second book 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 are 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 Tuesday, Apr. 16, 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 from 2:30 to 3:50 and Fridays from 1:30 to 3:00**. 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. If you see me in my office at any time and the door is open, please feel free to knock and see whether I am free to talk with you.

**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:

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

**In keeping with the University's Learning Outcomes, the Department of Economics and Finance *Learning Outcomes (skills and knowledge competencies)* for this course are:**

**Skills:**

- 1) Written Communication:** There are two written homework assignments and a final examination using an essay format. Students are required to present clear, precise and well-organized responses to questions, and use correct grammar and spelling. The instructor will grade all written assignments and give feedback on writing quality on the assignments.
- 2) Oral Communication/Presentation:** Students will be graded on class participation. Moreover, all students are required to participate in a formal debate, which will also be graded. The debate involves not only speaking publicly, but also responding to questions from other class members.
- 3) Problem Solving in a Real-World Context:** Homework assignments, class discussions, readings, debates and the examination will all revolve around solving problems in the real-world context of international trade. The course will emphasize not only the economic, but also the legal, political, cultural and social factors that must be considered when dealing with international-trade issues. Students will receive feedback from their peers during class discussions and debates and from the instructor in the case of assignments, debates and the examination.
- 4) Group work:** Students will work in teams of two to prepare their debates. The instructor's evaluation will reflect in part the extent to which each team was able to coordinate their efforts to make a more persuasive argument than their opponents.
- 5) Professional and ethical awareness and conduct:** Students will be interacting with a number of guest speakers including lawyers, business economists and consultants. Class participation grades will depend in part on the preparedness of students to engage with these representatives of the world outside academia in a professional manner. In the past, several students in this class have found jobs through interacting with guest speakers. Thus, the stakes are higher than the mere achievement of a better participation grade. We will discuss a number of important normative issues in the course that require complex value judgments such as policy tradeoffs between economic growth and the distribution of income. Students will be encouraged to share their thoughts and these will contribute to their participation grades. Plagiarism and academic misconduct will be discussed on the first day of class and any such cases will be dealt with according to University policy.

**Knowledge:**

- 1) Microeconomic Modeling:** The course will use simple microeconomic models to consider such questions as free versus protected trade, customs unions versus multilateral free trade, first-best and second-best trade policies in the presence of non-economic objectives or market distortions, etc. Students will be required to apply the principles discussed in the course to analyze policy problems and issues. Mastery of this body of knowledge will be assessed through class participation, homework assignments and the examination.
- 2) Understanding of Specific Markets:** The course will focus on certain markets that have been particularly important in the context of international trade such as dairy, poultry and eggs, softwood lumber, apparel, automobiles, etc. Understanding of the historical and institutional context in which these markets operate will be assessed through class participation, homework assignments and the examination.
- 3) Historical and Global context:** This course will explore the historical roots of trade policy in Canada from the National Policy of John A. MacDonald through the Reciprocity Debate and Election of 1911, the Auto Pact of 1965, the Canada-US Free Trade Agreement of 1989 and the NAFTA of 1994. A historical approach will also be taken toward the development of international trade organizations such as the GATT and WTO and trade arrangements such as the EU and TPP. The focus of the course is global in the sense that it emphasizes Canada's trade relationship with the rest of the world. A student's ability to analyze policy issues within the relevant historical and global contexts will be assessed through all of the class assessment instruments.
- 4) Economic Policy and Regulation:** This course is fundamentally about economic policy and regulation as it affects the movement of goods and services across borders. It also deals with many issues of domestic policy and regulation such as industrial subsidies and supply-management in some agricultural sectors. Understanding of these issues will be assessed through all of the class assessment instruments.

## **READINGS**

The following course schedule is flexible and preliminary. In particular, changes will 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**

*REG3* or *REG4*, Chapter 1, pp. 1- 20.

Krugman and Obstfeld, *International Economics: Theory and Policy*, Ninth Edition, Chapters 9 and 10.

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.

### **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.

*REG3*, Chapter 1, pp.21-48 or *REG4* Chapter 1, pp. 21-53

*FIRE*, Chapter 7.

*REG3*, Chapters 2 and 3 or *REG4*, Chapters 2 and 4 are recommended for skimming and as reference material for topics that arise in class.

### **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**

*NA*, Chapter 4.

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

*REG3*, Chapter 6 or *REG4*, Chapter 7 is recommended for more detail on tariffs and other border issues.

## **AGRICULTURAL TRADE**

*REG4*, Chapter 12 (The corresponding chapter in *REG3*, Chapter 11 is really outdated.)

Busby and Schwanen, *Putting the Market Back in Dairy Marketing*, C.D. Howe Institute Commentary #374, March 2013.

## **SERVICES AND INVESTMENT**

*NA*, Chapter 5.

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

Dawson, *Potash and Blackberries: Should Canada treat all Foreign Direct Investment the Same?* MacDonald-Laurier Institute Commentary, June 2012.

*REG3*, Chapters 12 and 14 or *REG4*, Chapters 13 and 15 are recommended for more background.

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

*NA*, Chapter 6.

*REG3*, Chapter 13 or *REG4*, Chapter 14 is recommended for more background.

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

*NA*, Chapter 7.

Krugman and Obstfeld, *International Economics: Theory and Policy*, Eighth or Ninth Edition, Chapter 11 (available at library reserve desk).

*REG3*, Chapters 16 and 17 or *REG4*, Chapters 17 and 18 are recommended for more background.

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

*NA*, Chapter 8.

*REG3*, Chapters 4, 8, and 9 or *REG4*, Chapters 5, 9 and 10.

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.

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.

## **CANADA-EU COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)**

Government of Canada, *Opening New Markets in Europe: An Overview*.

Government of Canada, *Opening New Markets in Europe: Technical Summary of Final Negotiated Outcomes*.

Schwanen, *Uneasy Birth: What Canadians Should Expect from a Canada-EU Trade Deal*, C.D. Howe Institute e-brief 163, Aug. 2013

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

Bhagwati, *Termites in the Trading System : How Preferential Agreements Undermine Free Trade*, Oxford University Press.

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.

*REG4*, Chapter 3 is recommended for another perspective.

## **BEYOND DOHA: NEW INITIATIVES**

*REG4*, Chapter 21.

Readings on the December 2013 Bali Package TBA