

HC 236: U.S. Business and the Politics of Trade

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Meets: Wednesdays, Loop Campus – 6:00 p.m. – 9:00 p.m.

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Course Materials: See below

Course Information

Course Description

Understanding the relationship between U.S. business and government in the creation and execution of trade policy is more important than ever. In a period of intense economic change, financial instability and changing power structures, we should have a greater appreciation for how interest group politics affect decision-making in the United States and abroad and how policy choices are made. With the rise of emerging markets such as Brazil, Russia, India and China (BRIC), the United States and Europe no longer fully control global institutions like the World Trade Organization. The traditional key players in the international marketplace – and the businesses originating in those countries -- must adapt to new challenges, opportunities and commercial flows in order to ensure successful global business. In this class, we will examine why individuals and countries engage in international trade and what are the benefits and challenges created by import and export flows. We will determine how business and government in the United States have interacted over time to create policy and adapt to changing economic realities. We will look at the challenges U.S. businesses have confronted in marketing products and investment abroad. And we will explore the programs and policies the U.S. government has adopted to address those overseas challenges, taking into consideration the priorities and ideologies of a range of domestic and overseas stakeholders. Competences: H-5, H-2-X, A-3-X

Course Learning Goals

At the end of this course, you will be able to identify:

- what role international trade plays in the U.S. and world economy
- key Legislative and Executive Branch actors in trade policymaking
- how government policies affecting business are made through compromise, consensus-building and political pressure
- key U.S. laws affecting trade
- the role of multilateral trade institutions and foreign government interests
- the “special” position of selected sectors of the U.S. economy

- the evolution of the business-government relationship in global business

Existing Competency

H-5: Can analyze issues and problems from a global perspective

1. Analyzes one or more global issues, problems or opportunities facing the human race.
2. Explains how these issues affect individuals or societies in both positive and negative ways.

Students demonstrate competence by discussing such issues as how local communities (in the U.S. and elsewhere) deal with global concerns such as hunger, health, education, welfare, illiteracy, environmental issues, or infectious diseases. Or they might explore the impact of science and technology on people's lives worldwide. They may study world religions, literature or arts as a means of better understanding other cultures,. Students can fulfill the competence through courses and independent learning pursuits that analyze one or more aspects of global competence. International travel and work may also be helpful.

Global connections affect our lives in many ways. Many local issues have worldwide implications, and none are merely matters of science or of economics or of politics. Some may have cultural or ethical or religious components as well. This competence invites students to explore and demonstrate these connections bearing in mind that if an issue is big enough to cross geographical borders, it is complex enough to cross disciplinary borders.

New Competencies

H-2-X: Can understand the relationship between government and business in the development and implementation of public policies

1. Identifies a significant issue of public policy
2. Identifies the political institutions that have a role in shaping or building consensus to effectively address that policy
3. Establishes and applies criteria for determining the effectiveness of that policy

Students demonstrate this competence by articulating a public policy challenge (e.g., fiscal, global competitiveness, exchange rate) and identifying the respective roles that actors – public, private business, civil society, others – have in determining that policy and ensuring its effective implementation. A country-by-

country comparative approach or case study may be an effective demonstration of competence.

A-3-X: Can compare two or more ideological perspectives on a public policy issue to determine how practical approaches to decisions are derived (developed).

1. Identifies a significant issue of public policy
2. Identifies the interest groups that have a stake in how that issue is addressed
3. Compares the perspectives of actors in #2 to determine their impact on the ultimate disposition of the policy issue

Students fulfill this competence by identifying key actors in a debate involving an issue of public policy and determining the effectiveness of those actors in formulating solutions and implementation of policy decisions. These key actors often will have different underlying ideologies, whether by virtue of geographic location, personal values, professional objectives or political bias, and students will want to explore how those ideologies and approaches are incorporated in the policy-making process. To what extent do consensus-building, cooperation, compromise affect the final policy decisions and concrete actions? Students will examine the implications for their own points of view of how ideology becomes practice and affects stated positions.

Course Competencies

H-5: Can analyze issues and problems from a global perspective

H-2-X: Can understand the relationship between government and business in the development and implementation of public policies

A-3-X: Can compare two or more ideological perspectives on a public policy issue to determine how practical approaches to decisions are derived (developed).

F-X: Understands the basic principles and dynamics of international trade and its benefits to the community and the global economy.

Relationship of this course to the competence statements

H-5 Students will develop a written case study involving a specific trade challenge or opportunity and identify the implications of possible outcomes for the U.S. position in the global community.

H-2-X Students will work in small groups to identify a sector of U.S. business that has been affected by international competition (e.g., textiles, telecommunications, steel, autos) and the interplay between business and political institutions to address that competition. This small group work will form the basis of a class presentation.

A-3-X Students will write a paper identifying a current or past issue of import- or export-related debate, the private sector stakeholders in that debate and the bases for their stated positions as the issues were/are deliberated and compromises reached.

F-X Students will identify a specific business or marketing initiative and demonstrate the factors to be considered when determining whether to undertake that initiative in the international market, including the benefits to the individual business and the U.S. and global economies of global trade.

Learning will occur in the following ways:

Reading: Students are expected to **read the required materials** assigned in preparation for each class. In addition, students are urged to read the optional materials, which will provide additional detail and/or perspective on the session's topic. Those readings will form the bases of the classroom lecture as well as the ensuing class discussion. In addition, given the timeliness of the topic, students should regularly review periodicals and online materials to keep abreast of current events.

Lectures: Main points of the reading as well as supporting information will be provided. Students are encouraged to **ask questions, raise issues for debate and offer views** during the lecture portion of the class

Discussion Period: Students are expected to use information gleaned from reading assigned materials and other source documents and from the class lecture to **engage actively in weekly class discussions** and to demonstrate the development of competencies. In addition, periodic student-written assignments will form a basis for class discussion. Responding to one another "around the table" is far preferable to comments and discussions initiated by and directed to the instructor.

Writing: Students will write **three short (i.e., 1 ½ - 2 ½-page, double-spaced) thought pieces/essays** on the weekly topics, based on required and additional reading. Those papers will be offered during class to help form the basis of that evening's discussion and to demonstrate the development of competencies. In addition, each student will be required to write **a 5-page, doubled-spaced paper** designed to demonstrate one of their chosen competencies.

Debates: International trade issues and the appropriate role for business and other interested/affected parties have long elicited debate, discussion and widely divergent views. We will use the very timeliness of trade actions and challenges and the controversies they engender to **engage in our own classroom debates**.

Evaluation:

Thoughtful participation in class discussions: 20%

In-class presentations of case studies: 20%

Active participation in periodic, identified class debates: 20%

Periodic written essays/thought pieces: 20%

Five-page written paper on one chosen competency: 20%

Attendance: Missing more than one class obviously affects class participation. Students are responsible for acquiring notes, readings and assignments from a fellow student. Missed written assignments due to an excused absence must be turned in the following week. Missing more than two (2) classes will result in a failing grade for the course.

DePaul University Academic Integrity Policy

DePaul University is a learning community that fosters the pursuit of knowledge and the transmission of ideas within a context that emphasizes a sense of responsibility for oneself, for others and for society at large. Violations of academic integrity, in any of their forms, are, therefore, detrimental to the values of DePaul, to the students' own development as responsible members of society, and to the pursuit of knowledge and the transmission of ideas. Violations include but are not limited to the following categories: cheating; plagiarism; fabrication; falsification or sabotage of research data; destruction or misuse of the university's academic resources; alteration or falsification of academic records; and academic misconduct. Conduct that is punishable under the Academic Integrity Policy could result in additional disciplinary actions by other university officials and possible civil or criminal prosecution. Please refer to your Student Handbook or visit <http://studentaffairs.depaul.edu/homehandbook.html> for further details.

DePaul University Incomplete Policy

Undergraduate and graduate students have two quarters to complete an incomplete. At the end of the second quarter (excluding summer) following the term in which the incomplete grade was assigned, remaining incompletes will automatically convert to "F" grades. In the case of the Law School incompletes must be completed by the end of the semester following the one in which the incomplete was assigned. Ordinarily no incomplete grade may be completed after the grace period has expired. Instructors may not change incomplete grades after the end of the grace period without the permission of a college-based Exceptions Committee. This policy applies to undergraduate, graduate and professional programs. NOTE: In the case of a student who has applied for graduation and who has been approved for an Incomplete in his or her final term, the incomplete must be resolved within the four week grace period before final degree certification.

NB: The SNL student who wishes to receive the grade of IN must formally request in writing that the instructor issue this grade. This request must be made before the end of the quarter in which the student is enrolled in a course.

For Students Who Need Accommodations Based on the Impact of a Disability

Students who feel they may need an accommodation based on the impact of a disability should contact the instructor privately to discuss their specific needs. All discussions will remain confidential. To ensure that you receive the most appropriate accommodation based on your needs, contact the instructor as early as possible in the quarter, preferably within the first week of class, and make sure you have contacted:

- PLS Program (for LD, AD/HD) at 773-325-4239 in the Schmidt Academic Center, room 220 or;
- The Office for Students with Disabilities (for all other disabilities) at 773-325-7290, DePaul University Student Center, room 307.

Chronic Illness Initiative

The Chronic Illness Initiative (CII) provides access to higher education for students disabled by chronic illnesses that unpredictably increase and decrease in severity such as chronic fatigue syndrome, rheumatoid arthritis, lupus or illnesses requiring frequent hospitalizations. At SNL, staff and faculty are compassionate and committed to helping CII students achieve their educational goals. Contact CII at CII@depaul.edu.

Writing Help

For help with organizing your ideas, grammar, citing sources, avoiding plagiarism, sample SNL assignments and much more, see the Writing Guide for SNL Students at <http://snl.depaul.edu/writing/index.html>. For on-campus and online tutoring, see the DePaul University Writing Centers at <http://condor.depaul.edu/~writing/>.

Assigned Materials/Readings for this Class:

- Irwin, Douglas, Free Trade Under Fire, 2009, Third Edition. Available in paperback from Amazon.com for less than \$17
- Also, selected chapters and sections from the following books, which are all available in paperback, new and used, most for less than \$10
 - Bergsten, C. Fred and the Institute for International Economics, The United States and the World Economy: Foreign Economic Policy for the Next Decade, January 2005
 - Friedman, Thomas L., The World is Flat, Release 3.0, 2007
 - Zakaria, Fareed, The Post-American World, 2009
 - Narlikar, Amrita, The World Trade Organization: A Very Short Introduction, Oxford University Press, 2005
 - Destler, I.M., American Trade Politics, Third Edition
 - Dobbs, Lou, Exporting America: Why Corporate Greed is Shipping American Jobs Overseas

I will provide hand-outs of selected articles and short papers

Also please familiarize yourselves with the website for the United States Trade Representative (www.ustr.gov), which has a wealth of information, including links to country profiles, U.S. Government trade-related actions, Executive Branch agencies involved in international trade, links to U.S. and foreign trade data sources and descriptions of governmental trade responsibilities.

Syllabus

Session One

Introduction to course: syllabus, topics and main themes, expectations, Introduction to the instructor.
Introductions of Students

Lecture: What is international trade, why do we trade, and what are its costs and benefits (risks and rewards for) to the individual and the economy

Required Reading:

- Irwin, Douglas, Free Trade Under Fire, Third Edition, 2009, (paperback) Chapter 2, "The Case for Free Trade: Old Theories, New Evidence" (pages 28-69)

Recommended Reading:

- Czinkota, Michael R., Ronkainen, Ilkka A., and Moffett, Michael, International Business Update 2000, 2000, Chapter 5: "The Theory of International Trade and Investment" (pages 152-180).

Discussion

Session Two

1 ½-2 ½ page paper on the topic/reading due

Lecture: A “Recent” History of Trade in the United States: The last 100 years: The Bumpy Road to Globalization

Required Reading:

- Irwin, Chapter 1, “The United States in a New Global Economy?” (pages 8-27)
- Zakaria, Fareed, The Post-American World, Chapter 2, “The Cup Runneth Over” (pages 6-48), especially the subsection entitled “The Last Superpower” (hand-out)

Recommended Reading:

- Friedman, Thomas L., The World is Flat, Release 3.0, 2007, (paperback), chapter 1 (pages 1-50)
- Bergsten, C. Fred and the Institute for International Economics, The United States and the World Economy: Foreign Economic Policy for the Next Decade, January 2005, Chapter 3, “Uneven Gains and Unbalanced Burdens? Three Decades of American Globalization”, (pages 111-118)

Discussion based on student-written essays: What is your experience with a globalized U.S. economy? Give specific examples of our dependence on foreign markets, personnel/labor, products.

Session Three

Lecture: How has the U.S. Government Been Organized for Trade?

Required Reading:

- Irwin, Chapter 5 “U.S. Trade Policy and the World Trading System” (pages 138-178)
- Review http://www.usconstitution.net/xconst_A1Sec8.html and http://www.usconstitution.net/xconst_A1Sec9.html -- Sections 8 and 9 of the U.S. Constitution

Recommended Reading/Viewing:

- Destler, I.M., American Trade Politics, Third Edition, Chapter 2 (pages 11-38) and Chapter 7 (pages 175-199, esp. 191-199 “New Patterns of Interest Group Politics” (Note: Somewhat dated but still instructive)
- Handout: tables in Hiscox, Michael J., International Trade & Political Conflict, pages 135-137, 142 & 143

- View www.youtube.com/watch?v=ZwR4DpdKo5g -- Charlie Rose discussion with former U.S. Trade Representative Susan Schwab on Congressional non-approval of U.S.-Colombia Free Trade Agreement: good description of pact between Congress and Executive Branch on Trade Promotion Authority

Session Four

Lecture: How does business work within the government organization to influence trade policy: How are decisions reached and trade programs implemented? What are the effects of “outsourcing” U.S. jobs?

Case Study: How the telecommunications industry has worked with government on trade

Required Reading:

- Dobbs, Lou, Exporting America: Why Corporate Greed is Shipping American Jobs Overseas , Chapters 2, 3 and 4 (pages 20-63)
- Friedman, Chapter 1 to page 29, “Where do Companies Stop and Start?” pp. 243-248, and Chapter 5 (pages 263-278)

Recommended Reading:

- Bergsten, pp. 247-259 (other actors – somewhat dated but a good exposition on dueling priorities) and pp. 305-309 (outsourcing of services, e.g., India call centers, have introduced new actors to the trade policymaking arena)
- AFL-CIO website on outsourcing:
http://www.aflcio.org/issues/jobseconomy/exportingamerica/outsourcing_problems.cfm

Discussion/Class Debate Topic: What is a U.S. company in an era of globalization, multinational corporations, cross-border partnerships and outsourcing? How should we define “U.S. business?” Should these “blended entities have the same influence over the U.S. Government as “All-American companies?”

Session Five

1 ½-2 ½ page paper on the topic/reading due

Lecture: Free Trade vs. Protection: how does business “play” in this debate?

Required Reading:

- Irwin, Chapter 4, “Trade, Jobs and Income Distribution” (pages 105-145)

- AFL-CIO fact sheet and talking points on the U.S. trade deficit and manufacturing jobs at http://www.aflcio.org/issues/jobseconomy/manufacturing/iuc/upload/trade_factsheet.pdf

Recommended Reading:

- Irwin, Chapter 3, "Protectionism" (pages 70-104)
- Friedman, Chapter 5, "America and Free Trade" (pages 263-277)
- For further AFL-CIO views, see their complete website on trade issues at : <http://www.aflcio.org/issues/jobseconomy/globaleconomy/tradedeficit.cfm>
- Scott, Robert E. (Economic Policy Institute), "The High Price of Free Trade" at http://www.epi.org/publications/entry/briefingpapers_bp147/
- Dobbs, Chapter 5, "The High Cost of Free Trade" (pages 64-79)

Discussion based on student-written essays: Free Trade vs. Protectionism: What is your perspective? What about "Fair Trade?"

Session Six

Lecture: The Results of the Business-Government Partnership – something for almost everyone

Required Reading

- Handout on Trade and Globalization Adjustment Assistance Act of 2009
- Bergsten, portions of Chapter 10, "Easing the Adjustment Burden on US Workers", (pages 313-325 -- good discussion of TAA and its effectiveness or lack thereof) and (pages 337-339 -- legislative opportunities to improve TAA – many of the changes, expansions included in this chapter were implemented in the 2009 Act)
- Irwin, Chapter 5, "Relief from Foreign Competition: Antidumping and the Escape Clause" (pages 146-175)

Discussion based on the reading: Does the government do too much or too little to assist U.S. industry in competing internationally?

Session Seven

1 ½-2 ½ page paper on the topic/reading due

Lecture: The United States in the International Arena and the Role for U.S. Business

Required Reading

- Irwin, Chapter 7, “The World Trading System” section on “Regional Trade Agreements,” (pages 260-269)
- Friedman, Chapter 2, “Flattener #1: 11/9/89 The New Age of Creativity: When the Walls Came Down and the Windows Went Up” (pages 51-59) and “Triple Convergence” (pages 210-215)
- Bergsten, Chapter 4 “China: The Great New Economic Challenge?”, (pages 121-140) and Chapter 5, “The United States and the Large Emerging-Market Economies”, esp. pages 147-153 and 159-162

Recommended Reading

- Stefanie Eschenbacher of Fund Strategy, (Sept. 21, 2009) “Hot Brics” (hand-out)
- Narkilar, Amrita, The World Trade Organization: A Very Short Introduction, Chapters 1 & 2, (pages 1-41) (Note: this is a great primer on the WTO; you may want to read it in its entirety – 138 small pages – for a good, basic understanding of the WTO, its negotiating and enforcement mechanisms, agreements, challenges)

Discussion based on Student-written essays: Does U.S. participation in international institutions and regional trade agreements help or harm the interests of U.S. business? Is U.S. business well positioned to work with and in other countries?

Session Eight: Student Presentations of Case Studies

How business “works” the process – depending on class size, these can be either individually- or group-prepared. The instructor-presented case study on telecommunications in Session Four can serve as a model

- Textiles/apparel
- Agriculture
- Aircraft
- Automotive Sector (autos and supplying industries)

Session Nine: Student Presentations of case studies continued

- Steel
- Wood Products
- National Security Exceptions
- Other

Session Ten

Conclusions and Discussion: What Does the Future Hold for the Business-Government Relationship?

1. What does the trade picture look like and what are the implications for the business-government relationship?
2. What are the implications of increasing protectionism in the face of global recession?
 - Failure of Doha – ascension of BRICs and other LEMs
 - Failure of U.S.-Colombia FTA
 - Imposition of import measures to combat recession
 - The demands of China
3. Will increasing globalization of industry change the Business-Government Dynamic?
4. Will other priorities (e.g., environmental protection, international labor rights, national security, domestic economic stimulation) take precedence over business' priorities?

Required Reading:

Some Background

- Bergsten, *The United States and the World Economy*, "The New Global Context" (pages 19-24)

And Two Contrasting Views on the Near-Term

- Irwin, "Conclusion" (pages 270-277)
- Cato Free Trade Bulletin, No. 37, March 12, 2009: "A Protectionism Fling: Why Tariff Hikes and Other Trade Barrier will be Short-Lived" (<http://www.free-trade.org/node/937/print>)
- Brookings, Sunday, September 6, 2009, "Protectionism Exposed" (handout)

Recommended Reading:

- "The Economist" Sept. 19-25, 2009, "Economic Vandalism", pg. 13 and (pages 37-38 (re the United States' imposition of import duties on tires from China))
- Friedman, Chapter 3, "The Triple Convergence" (pages 200-232)

