PubPol/Econ 541

Class 0

Introduction & Overview of the International Economy

by
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University of Michigan
2024

Today

- Introduce ourselves
- Course Information
- Overview of the world economy
  - Far more slides than we'll get through
  - Look at them at your leisure, if you wish

Introductions

- Me:
  - I am Alan Deardorff
  - PhD in Economics from Cornell
  - Professor at UM since 1970
    - now retired - “Emeritus” – but still teaching this course
  - Call me “Alan”
    - If you are not comfortable with that, then Professor Deardorff
- You:

Introductions

- Keep your
  - microphone off when not speaking
  - video on always, if you are willing (email me if you prefer not to)
- Please answer the Survey in Canvas with the same information that I'm about to ask you to tell the class
  - Survey available now, under "Quizzes" at the bottom
  - Due tomorrow midnight, for me to have by Wednesday's class
  - Available for a week

Introductions

- I'll now call on you to introduce yourself
  - Who you are,
  - What you want to be called,
  - What program and year you are in, (MPP, MAE, etc.)
  - Where you are from (country, and if US, state), and
  - Any questions (or answers) you have about international economics.

Pause for Introductions

Course Information

- Complete information is on my public website
  - Access https://websites.umich.edu/~alandear/courses/541/541.html
  - Or google “Deardorff”, then Courses / 541
  - Or use link from Canvas course page

Course Information

- Class format
  - Mix of lecture and discussion, all live via Zoom
  - Lecture material will draw on PowerPoint slides
    - Available on website, both before and after
    - I may make small changes up to the time of class
      - So download after as well as before
  - Discussion will mostly draw on Questions posted for each class
    - Via “Questions on Readings” on public course web site
      - Questions only, available well before class
      - Questions and Answers (Q&A) after Quiz on that material
    - Questions are also linked on Syllabus

Course Information

- Communication:
  - Class will be synchronous via Zoom. DO ask questions
    - Raise “hand” (I think I’ll see it)
    - Interrupt with your voice
  - Regular Zoom office hours: MTh 10-11
  - Email: alandear@umich.edu
    - With questions, comments, etc.
    - To request a Zoom meeting

Course Information

- Survey:
  - Please complete the Getting-to-know-you survey
  - Find it under Quizzes in Canvas
    - Scroll way down
    - I wanted it by last night, but it is open through next Monday, Sep 2, and I need it from all of you

Course Information

- Requirements:
  - Weekly Quizzes (I’ll count only best 10)
  - 3 Papers (done in assigned groups)
  - Class participation
    - Questions, answers, and comments during class
    - News
      - We’ll discuss, weekly
      - See tabulation on my website

Index

Links to Trade News

Search site for pages

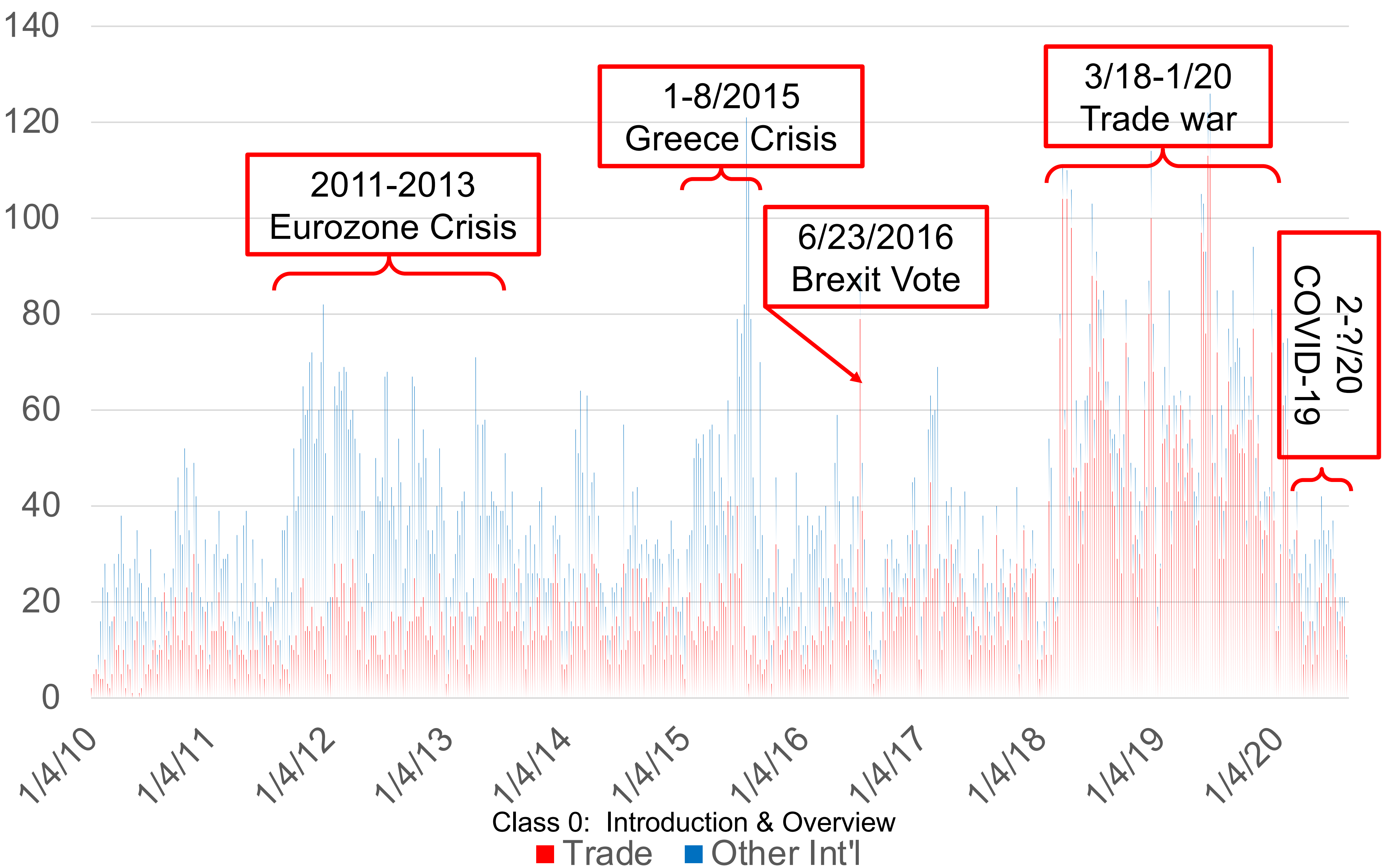
Find

FEEDBACK

(Click Here for Other International Economic News)

Date	Topic	Author	Title	Public Source
Aug 24, 2024	Tourism	Economist	"Visas, vistas and vegetarian food: How to attract Indian tourists"	Economist
Aug 24, 2024	Tourism	Economist	"From Bangkok to Dubai: Indian tourists are conquering the world"	Economist
Aug 24, 2024	China trade policy	Wei & Douglas	"Why China Is Starting a New Trade War"	FT
Aug 23, 2024	Deglobalisation	Baader	"The myth of deglobalisation hides the real shifts"	FT
Aug 22, 2024	Supply chains	Telling et al.	"Labour disputes threaten 'earthquake' disruption in US supply chains"	FT
Aug 22, 2024	Harris trade policy	Beattie	"Kamala Harris remembers the consumer cost of worker-centred tariffs"	FT
Aug 21, 2024	EU tariff on China Teslas	Eddy & Gross	"Europe Slashes Tariffs for Tesla Vehicles Made in China"	NYT
Aug 21, 2024	China EV tariff retaliation	White et al.	"China hits back at EV tariffs with European dairy probe"	FT
Aug 20, 2024	China-US trade war	Goodman	"Businesses Are Already Girding for Next Phase of the U.S.-China Trade War"	NYT
Aug 20, 2024	Trump-Biden tariffs and Harley Davidson	WSJ	"The Harley-Davidson Tariff Backfire"	WSJ
Aug 20, 2024	EU tariff on China Teslas	Hancock	"EU to hit Teslas imported from China with 19% tariffs"	FT
Aug 17, 2024	Israel sanction	Economist	"Don't push it: How vulnerable is Israel to sanctions?"	Economist
Aug 17, 2024	Tourism	Economist	"Hitting the road: The global tourism boom is shifting to Asia"	Economist
Aug 16, 2024	Trump trade policy	Fedor	"Donald Trump's economic plans would hurt US business, report claims"	FT
Aug 16, 2024	Tariffs on China	Ahya	"How much will higher tariffs hurt China?"	FT
Aug 15, 2024	Africa FTA	Mene	"Helping to create a single integrated market across Africa is in the west's interests"	FT
Aug 15, 2024	Trump trade policy	Muir	"US farmers fear prospect of Trump tariffs will add to sector's burdens"	FT
Aug 15, 2024	Trump trade policy	Stein et al.	"Trump, in North Carolina speech, signals openness to expanding tariff plans"	WP

Trade and other international economic news articles per week 2010-2020



Class 0: Introduction & Overview

Course Information

- Classroom Reserved
  - Room 1220 Weill Hall is reserved for your use during class times: MW 8:30-9:50
  - Feel free to bring your laptop there to attend class, free of disruptions
  - You may meet other class members there in person. (Follow UM protocols for masking.)

Plan for Course

- Recent trade events (trade war, etc.)
- Tariff/quota analysis (needed for papers)
- Int’l macro (exchange rates, deficits)
- Institutions (international, national)
- Trade barriers (NTBs)
- Trade theory (General equilibrium)
- Uses & abuses (FTAs, remedies, sanctions)

Pause for Discussion

Questions

- Will you be taking PubPol 542, International Financial Policy? (I don't know if it will be offered.)
- What would you most like to learn from this course?

Outline

- “Globalization”
- Trade
- Policies that Affect Others

“Globalization”

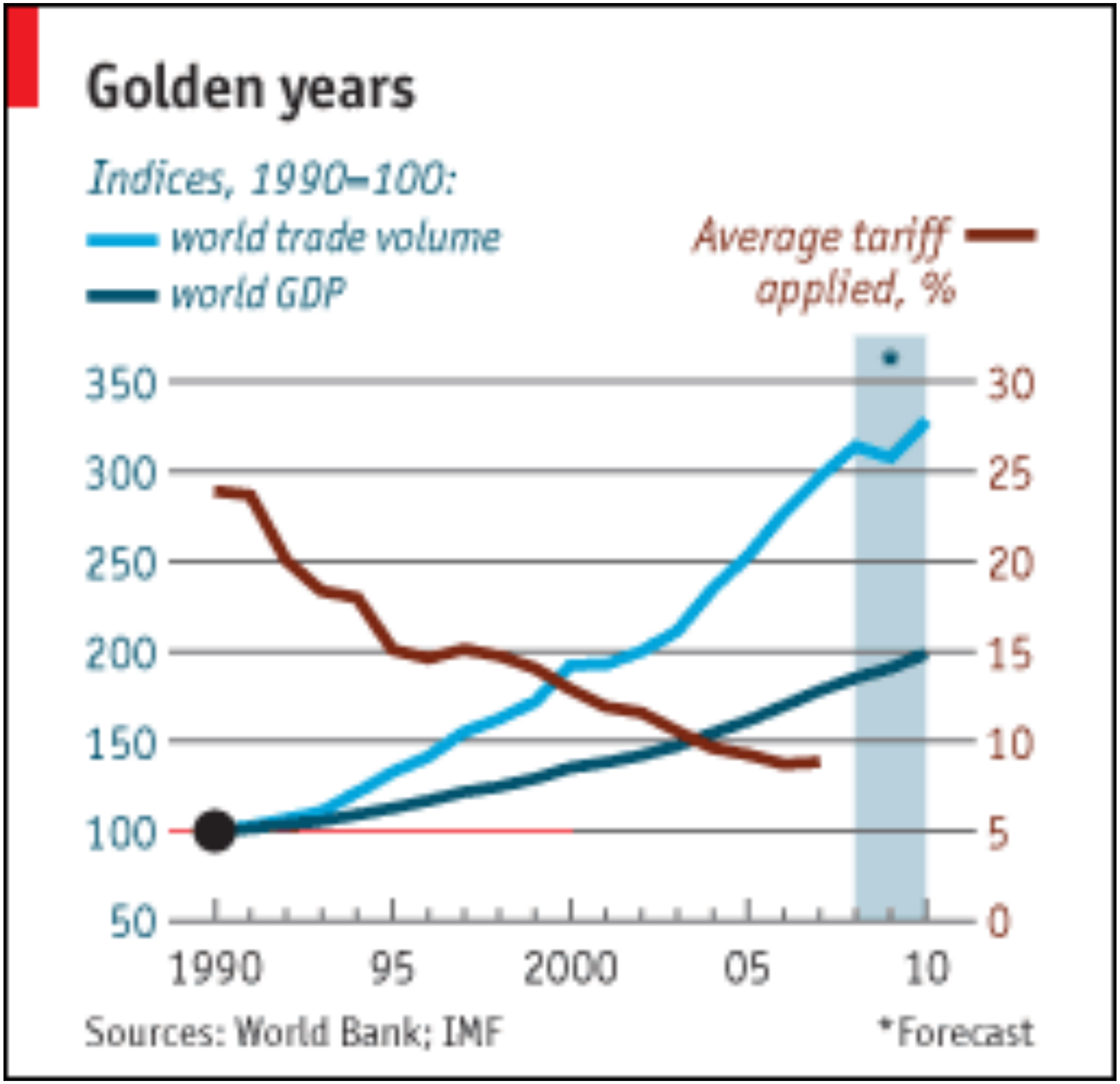
- Means different things to different people
  - My definitions (see my online Glossary):
    1. The increasing world-wide integration of markets for goods, services and capital.
    2. Also role of MNCs, IMF, WTO, World Bank.
    3. Elsewhere: domination by United States.
  - Some see good, others see bad

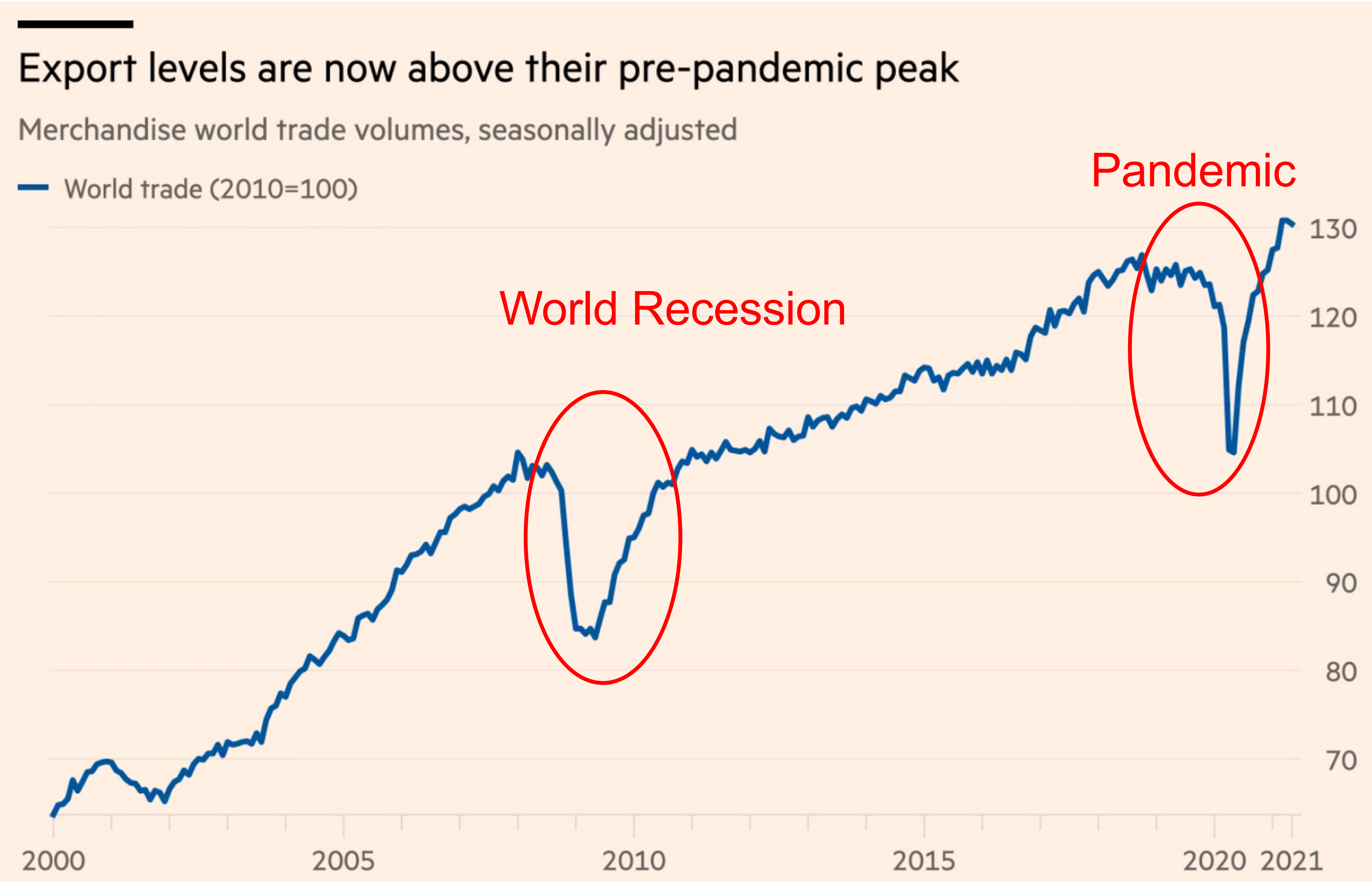
Outline

- “Globalization”
- Trade
- Policies that Affect Others

Country Interactions: Trade

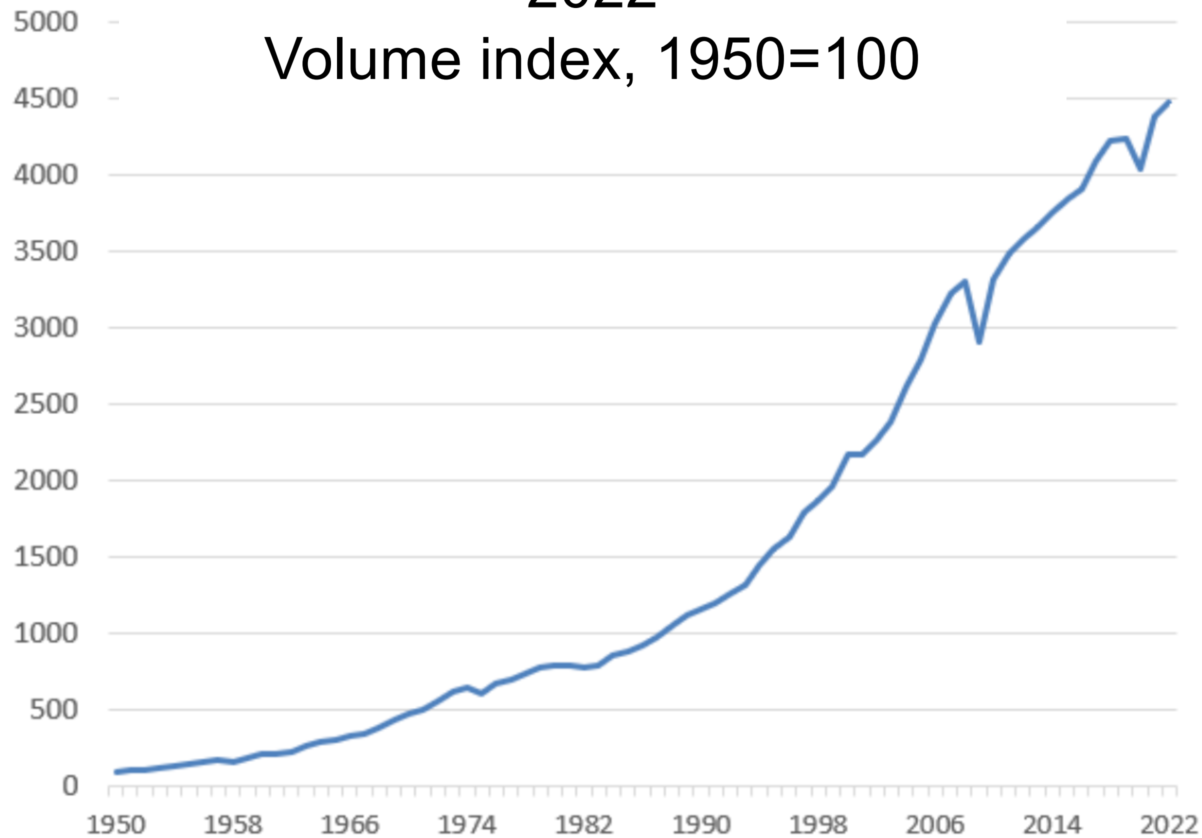
- Trade (per CIA, 2021 est.)
  - World exports: \$28.1 trillion
    (compare world GDP of \$134 trillion)
  - World trade has grown faster than world GDP most years
    - Declined with the world recession of 2008, then recovered
    - Slowed down in 2015-16, then resumed in 2017
    - Collapsed in 2020 with the pandemic
  - What's next? We don't know!


Golden years
Indices, 1990=100:
world trade volume
world GDP
Average tariff applied, %
350
300
250
200
150
100
50
30
25
20
15
10
5
0
1990
95
2000
05
10
*
Sources: World Bank; IMF
*Forecast



Source: FT 8/25/21

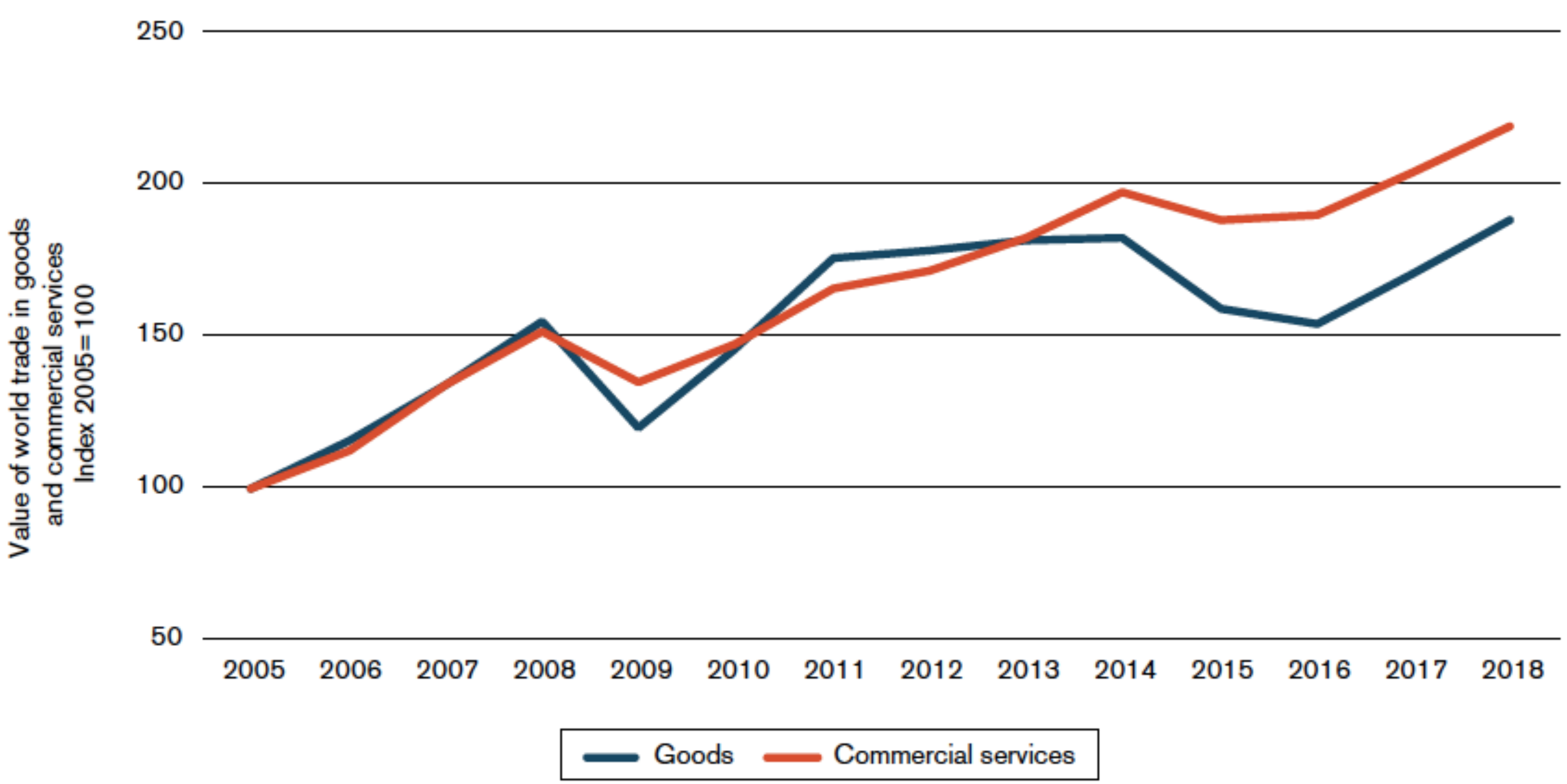
Evolution of World Trade, 1950-2022
Volume index, 1950=100



Source: WTO

Figure A.1: Trade in goods has grown more slowly than trade in commercial services

Growth of world trade in goods and commercial services



Source: WTO-UNCTAD-ITC estimates.

Note: World trade is calculated as the average of world exports and world imports.

Pause for Discussion

Questions

- Why do you think international trade has grown so much faster than the world economy?
- Why has that growth slowed down in recent years?
- How do you think public attitudes (or your own) about globalization have changed in recent years?

Country Interactions: Trade

- See below for
  - Who trades most?
  - Who trades with whom?
  - Share of trade in GDP
  - US:
    - What do we export/import?
    - To/from whom?

Who Trades the Most?

($ b. & % share, 2020)

Exporters			**Importers**		
	Value	Share		Value	Share
China	2,591	14.7	US	2,408	13.5
US	1,432	8.1	China	2,056	11.5
Germany	1,380	7.8	Germany	1,171	6.6
Netherlands	641	3.8	UK	635	3.6
Japan	723	3.6	Japan	635	3.6
World	17,583	100.0	**World**	17,812	100.0

Source: WTO, World Trade Statistical Review, 2021, Table A6

Who Trades the Most?

(Excluding intra-EU-27)

($ b. & % share, 2018)

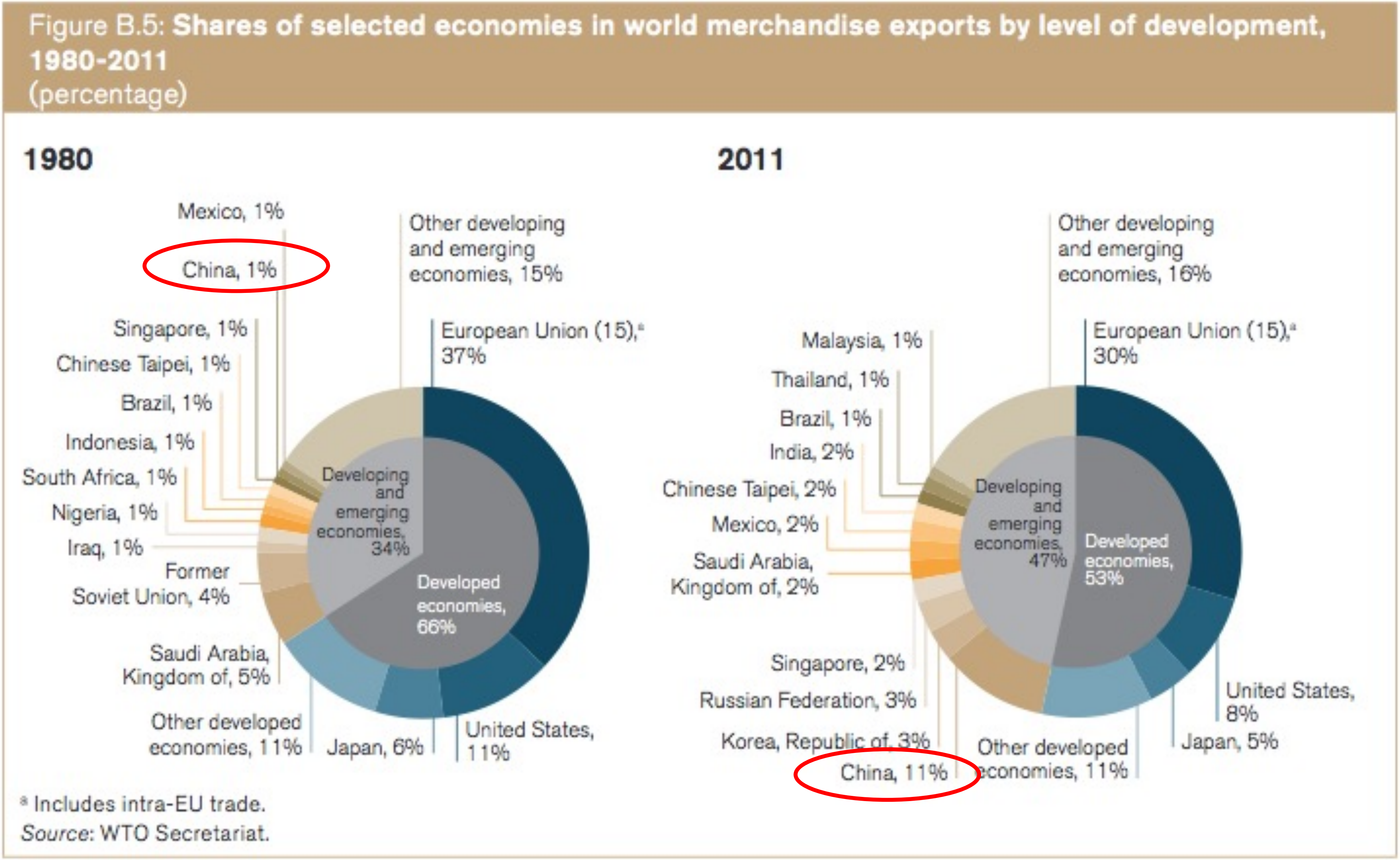
Exporters			**Importers**		
	Value	Share		Value	Share
China	2,591	18.1	US	2,408	16.5
EU-27*	2,209	15.4	China	2,056	14.0
US	1,432	10.0	EU-27*	1,958	13.4
Japan	641	4.5	UK	635	4.3
Korea, S**	512	3.6	Japan	635	4.3
World	14,334	100.0	**World**	14,634	100.0

*EU external only

**Source has Hong Kong, China 549, but 513 is re-exports

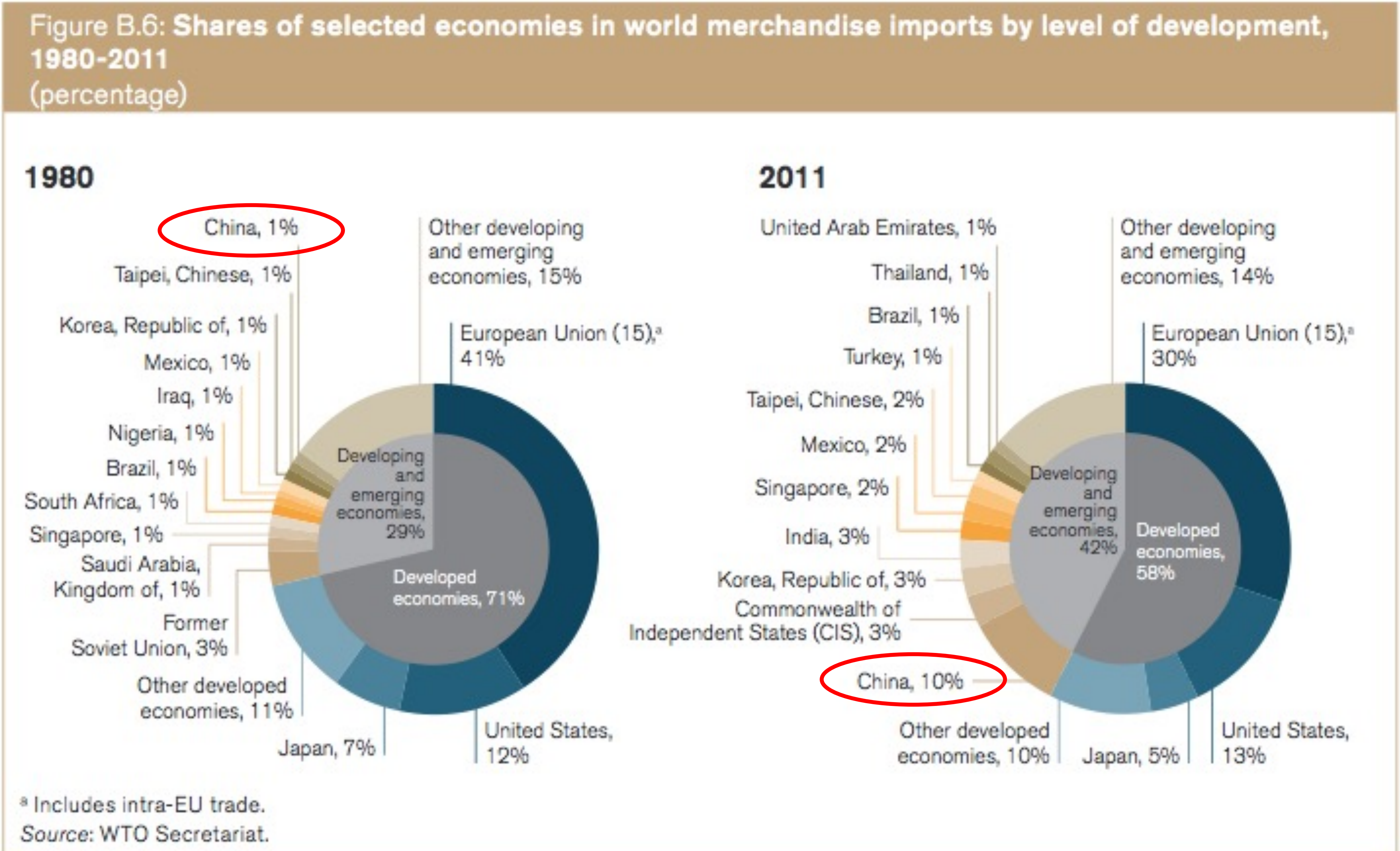
Source: WTO, World Trade Statistical Review, 2021, Table A7

Merchandise Export Shares, 1980 to 2011



WTO, World Trade Report 2013

Merchandise Import Shares, 1980 to 2011



WTO, World Trade Report 2013

Table B.3: **Leading merchandise exporters, 1980-2011**
(US$ billion and percentage)

	2011			1980	
	Value	**Rank**	**Share in world**	**Rank**	**Share in world**
World	18,255.2	-	100.00	-	100.00
China	1,898.4	1	10.40	30	0.89
United States	1,480.4	2	8.11	1	11.09
Germany[a]	1,472.3	3	8.06	2	9.48
Japan	822.6	4	4.51	3	6.41
Netherlands	661.0	5	3.62	9	3.64
France	596.1	6	3.27	4	5.70
Korea, Republic of	555.2	7	3.04	32	0.86
Italy	523.2	8	2.87	7	3.84
Russian Federation	522.0	9	2.86	-	-
Belgium[b]	476.7	10	2.61	11	3.17
United Kingdom	473.2	11	2.59	5	5.41
Hong Kong, China	455.6	12	2.50	22	1.00
Domestic exports	16.8	-	0.09	-	0.67
Re-exports	438.8	-	2.40	-	0.33
Canada	452.4	13	2.48	10	3.33
Singapore	409.5	14	2.24	26	0.95
Domestic exports	223.9	-	1.23	-	
Re-exports	185.6	-	1.02	-	0.33
Saudi Arabia, Kingdom of	364.7	15	2.00	6	5.36
Mexico	349.6	16	1.91	31	0.89

WTO, World Trade Report 2013

Table B.4: Leading merchandise importers, 1980-2011
(US$ billion and percentage)

	2011			1980	
	Value	Rank	Share in world	Rank	Share in world
World	18,437.7	-	100.00	-	100.00
United States	2,265.9	1	12.29	1	12.38
China	1,743.5	2	9.46	22	0.96
Germany[a]	1,253.9	3	6.80	2	9.06
Japan	855.0	4	4.64	3	6.81
France	713.9	5	3.87	4	6.50
United Kingdom	637.8	6	3.46	5	5.57
Netherlands	598.7	7	3.25	7	3.76
Italy	557.5	8	3.02	6	4.85
Korea, Republic of	524.4	9	2.84	20	1.07
Hong Kong, China	510.9	10	2.77	18	1.11
Retained imports	130.2	-	0.71	-	0.79
Canada	462.6	11	2.51	10	3.01
India	462.6	12	2.51	33	0.72
Belgium[b]	461.4	13	2.50	8	3.46
Spain	374.2	14	2.03	12	1.64
Singapore	365.8	15	1.98	17	1.16
Retained imports	180.2	-	0.98	-	0.83
Mexico	361.1	16	1.96	21	1.07
Russian Federation	323.8	17	1.76	-	-
Taipei, Chinese	281.4	18	1.53	23	0.95
	243.7	19	1.32	19	1.08

WTO, World Trade Report 2013

Table B.5: **Leading exporters of commercial services, 1980-2011**
(US$ billion and percentage)

	2011			1980	
	Value	**Rank**	**Share**	**Rank**	**Share**
World	4,168.8	-	100.00	-	100.00
United States	580.9	1	13.93	2	10.38
United Kingdom	273.7	2	6.57	3	9.34
Germany[a]	253.4	3	6.08	4	7.57
China	182.4	4	4.38	31	0.55
France	166.6	5	4.00	1	11.48
Japan	142.5	6	3.42	6	5.11
Spain	140.3	7	3.37	9	3.12
India	136.6	8	3.28	25	0.78
Netherlands	133.5	9	3.20	7	4.55
Singapore	128.9	10	3.09	17	1.30
Hong Kong, China	121.4	11	2.91	15	1.60
Ireland	109.4	12	2.62	38	0.36
Italy	105.2	13	2.52	5	5.13
Switzerland	94.3	14	2.26	14	1.88
Korea, Republic of	93.8	15	2.25	18	1.29
Belgium[b]	87.3	16	2.10	8	3.13
Sweden	76.0	17	1.82	12	2.01
Canada	74.5	18	1.79	13	1.94
Luxembourg	72.5	19	1.74	-	-
Denmark	64.8	20	1.55	19	1.28
Austria	61.2	21	1.47	10	2.35
	53.3	22	1.28	-	-

WTO, World Trade Report 2013

Table B.6: **Leading importers of commercial services, 1980-2011**
(US$ billion and percentage)

	2011			1980	
	Value	**Rank**	**Share**	**Rank**	**Share**
World	3,953.0	-	100.00	-	100.00
United States	395.3	1	10.00	4	7.16
Germany[a]	289.1	2	7.31	1	10.73
China	236.5	3	5.98	41	0.51
United Kingdom	170.4	4	4.31	5	6.25
Japan	165.8	5	4.19	2	7.95
France	143.5	6	3.63	3	7.69
India	123.7	7	3.13	30	0.72
Netherlands	118.2	8	2.99	6	4.40
Ireland	114.3	9	2.89	47	0.39
Italy	114.0	10	2.88	7	3.89
Singapore	113.8	11	2.88	31	0.72
Canada	99.8	12	2.53	10	2.50
Korea, Republic of	98.2	13	2.49	27	0.89
Spain	93.2	14	2.36	17	1.34
Russian Federation	87.9	15	2.22	-	-
Belgium[b]	84.6	16	2.14	9	3.07
Brazil	73.1	17	1.85	23	1.10
Australia	59.5	18	1.51	14	1.57
Denmark	56.1	19	1.42	28	0.86
Hong Kong, China	55.7	20	1.41	25	1.00
Sweden	55.6	21	1.41	11	1.72
	55.0	22	1.39	8	3.66

WTO, World Trade Report 2013

Appendix Table 5: Leading exporters and importers of commercial services, 2014 (billion US$ and per cent)

Rank	Exporters	Value	Share	Annual per cent change	Rank	Importers	Value	Share	Annual per cent change
1	United States	686	14.1	3	1	United States	454	9.6	4
2	United Kingdom	329	6.8	4	2	China	382	8.1	16
3	Germany	267	5.5	5	3	Germany	327	6.9	1
4	France	263	5.4	4	4	France	244	5.1	6
5	China	222	4.6	8	5	Japan	190	4.0	12
6	Japan	158	3.3	19	6	United Kingdom	189	4.0	-1
7	Netherlands	156	3.2	11	7	Netherlands	165	3.5	8
8	India	154	3.2	4	8	Ireland	142	3.0	16
9	Spain	135	2.8	5	9	Singapore	130	2.7	0
10	Ireland	133	2.7	9	10	India	124	2.6	-1

WTO, World Trade Report 2015

Importance of Trade for Countries?

(GDP in US$ b., Exports % of GDP, Selected countries, 2017)

	Exports	Exports/GDP
United States	2,377	11%
Japan	1,084	
Germany	2,004	
Canada	619	
India	572	
Mexico	492	
Netherlands	858	
Singapore	627	
Philippines	1311	
Nepal	0.8	

Source: CIA World Fact Book

Importance of Trade for Countries?

A Few More of Interest

	GDP	Exports/GDP
China	2,490	17%
Hong Kong	569	
Korea, South	684	
Korea, North (2013)	3.0	
Burma	16.3	
Israel	105	

Source: CIA World Fact Book

Who Trades with Whom?

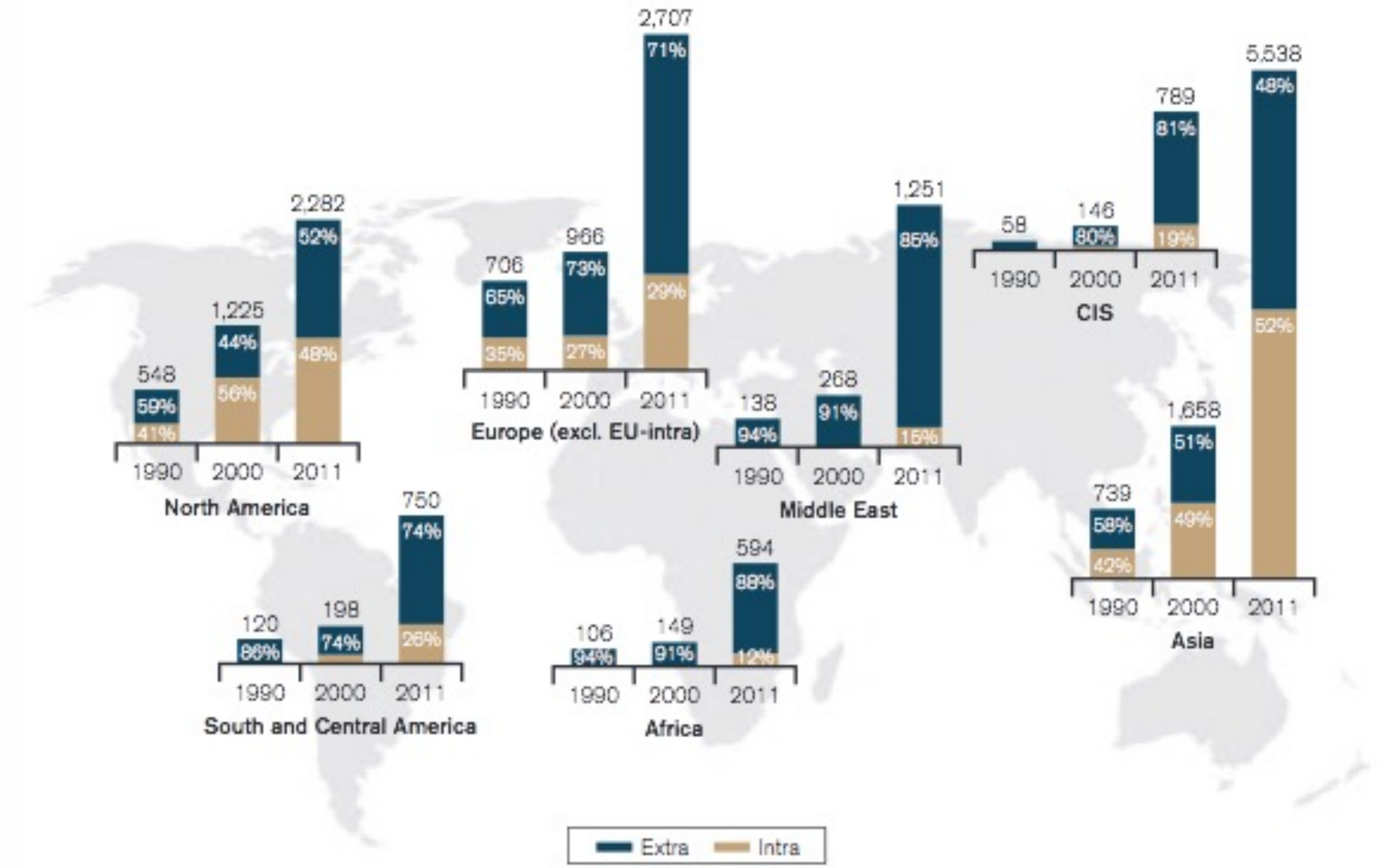
($ b., 2014, Intra- and inter-regional merchandise trade)

	Destination:					
Origin:	North Amer.	Latin Amer.	Eur.	Asia	Africa	Other
North Amer.	**1251**	214	379	504	43	97
Latin Amer.	173	**179**	114	170	18	26
Europe	540	119	**4665**	738	221	447
Asia	1065	185	900	**3093**	207	428
Africa	39	29	201	152	**98**	20
Other	128	18	532	828	51	**273**
World	3195	744	6792	5485	639	1292

Source: WTO, International Trade Statistics, 2015, Table I.4

Note: This source is no longer published, and its replacement lacks these data.

Figure B.14: **Intra-regional and extra-regional merchandise exports of WTO regions, 1990-2011** (US$ billion and percentage)



Sources: WTO *International Trade Statistics 2012*, supplemented with Secretariat estimates prior to 2000.

Note: Graphs for regions are not shown to scale. Colours and boundaries do not imply any judgement on the part of the WTO as to the legal status of any frontier or territory.

WTO, World Trade Report 2013

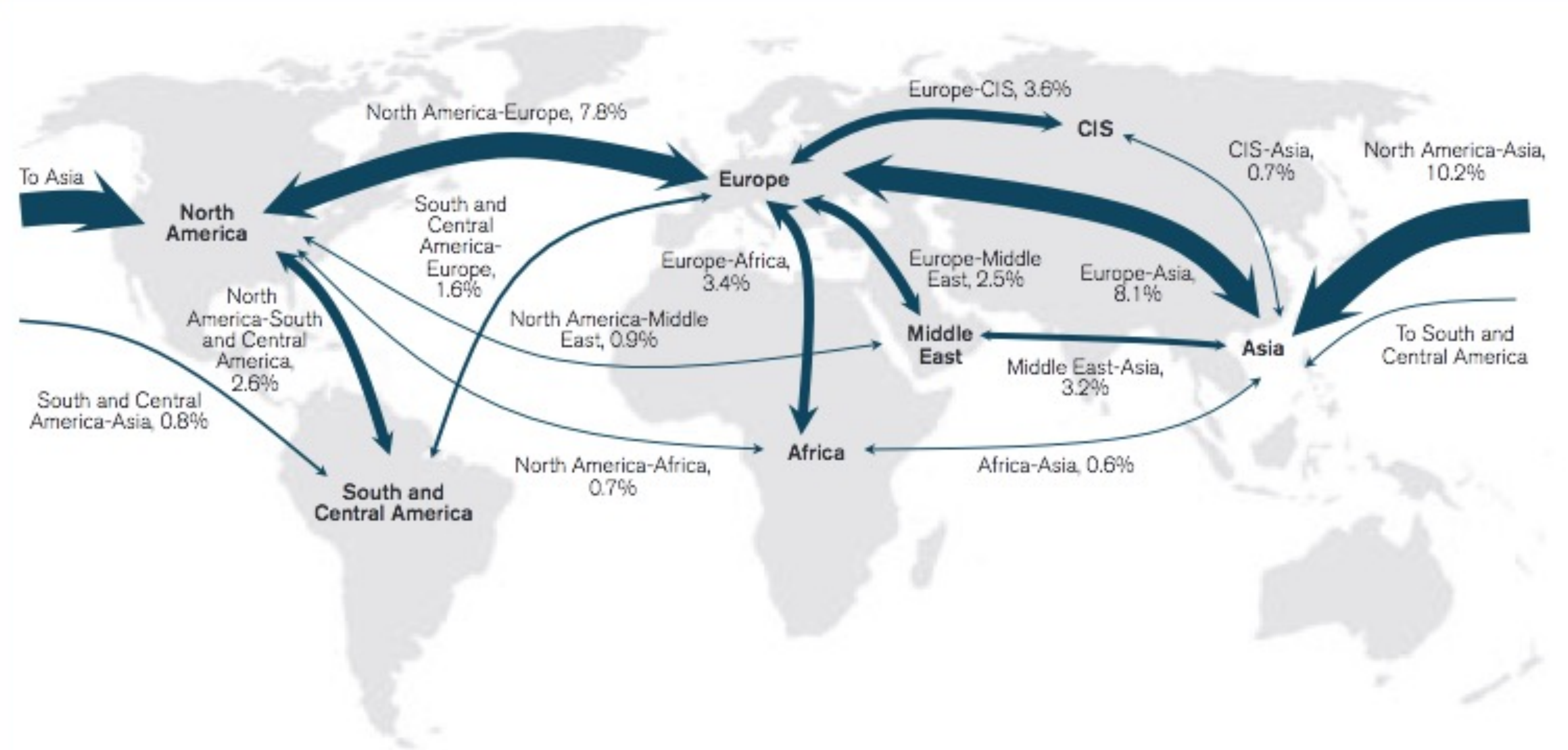
of Intra-Industry Trade

Table B.8: **Average Grubel-Lloyd indices across sectors for selected economies, 1996-2011** (Index, 0-1)

	1996			2011		
	World	Developed	Developing	World	Developed	Developing
Hong Kong, China	0.70	0.29	0.65	0.66	0.30	0.61
Singapore	0.65	0.31	0.60	0.65	0.38	0.59
United States	0.61	0.65	0.47	0.62	0.68	0.51
European Union (27)	-	-	-	0.60	0.63	0.51
Malaysia	0.43	0.28	0.51	0.55	0.37	0.58
Canada	0.57	0.59	0.36	0.53	0.58	0.34
Switzerland	0.51	0.52	0.31	0.49	0.49	0.37
Thailand	0.36	0.26	0.44	0.49	0.38	0.53
Mexico	0.50	0.47	0.42	0.49	0.46	0.38
Korea, Republic of	0.42	0.35	0.35	0.48	0.43	0.42
Taipei, Chinese	0.44	0.34	0.38	0.48	0.40	0.48
India	0.34	0.30	0.34	0.44	0.39	0.43
Ukraine	0.43	0.30	0.44	0.43	0.27	0.44
South Africa[a]	0.41	0.31	0.44	0.41	0.30	0.44
Brazil	0.43	0.32	0.43	0.41	0.33	0.43
China	0.39	0.33	0.40	0.40	0.38	0.36
Panama	0.12	0.08	0.13	0.39	0.12	0.47
Turkey	0.32	0.27	0.36	0.39	0.36	0.41
Japan	0.35	0.34	0.32	0.39	0.36	0.39

WTO, World Trade Report 2013

Figure B.15.A: **Share of total trade between geographic regions in world trade, 1990** (percentage)

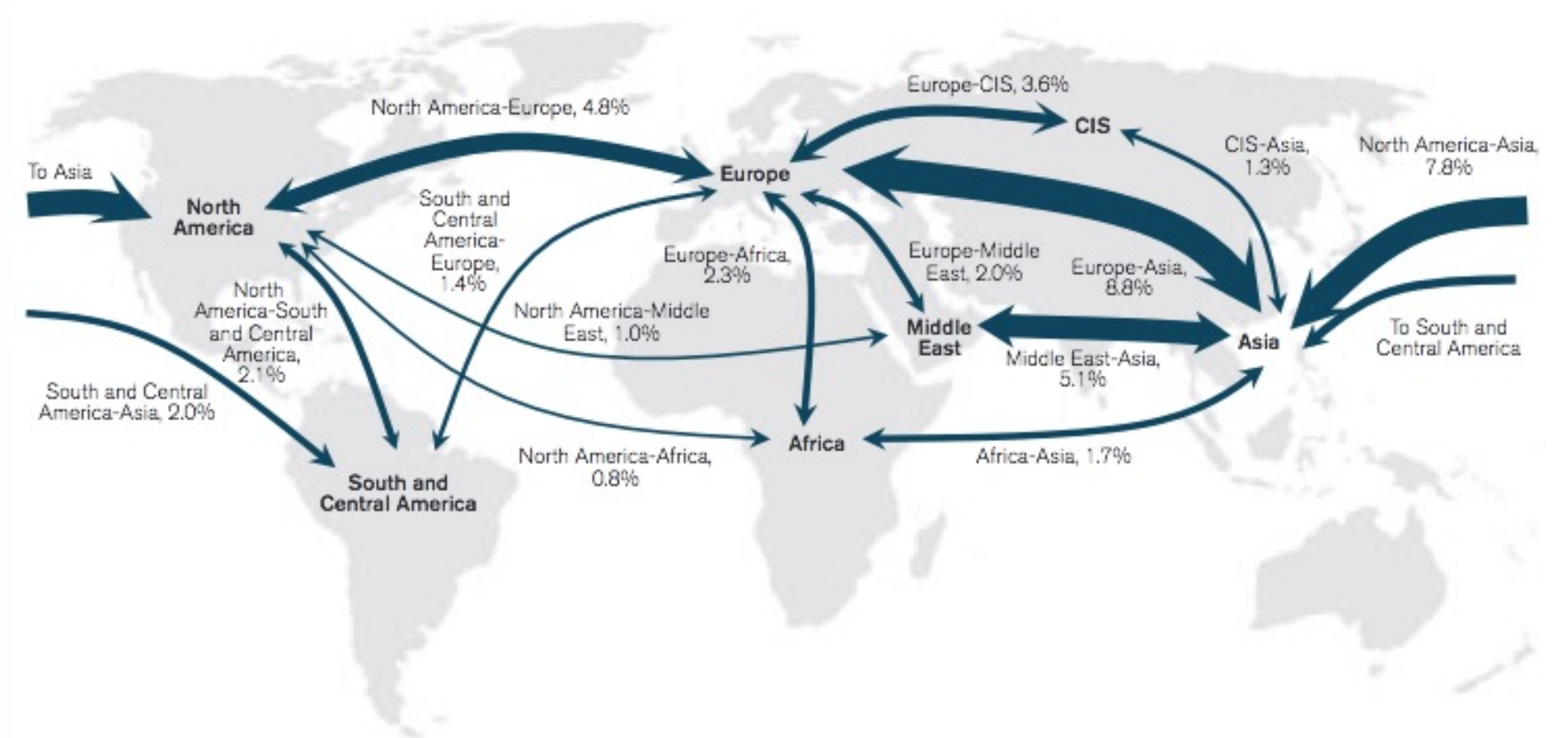


Source: WTO Secretariat estimates.

Note: World trade includes intra-EU trade. Arrow weights based on shares in 1990. Trade within regions and with unspecified destinations represented 53% of world trade in 1990.

WTO, World Trade Report 2013

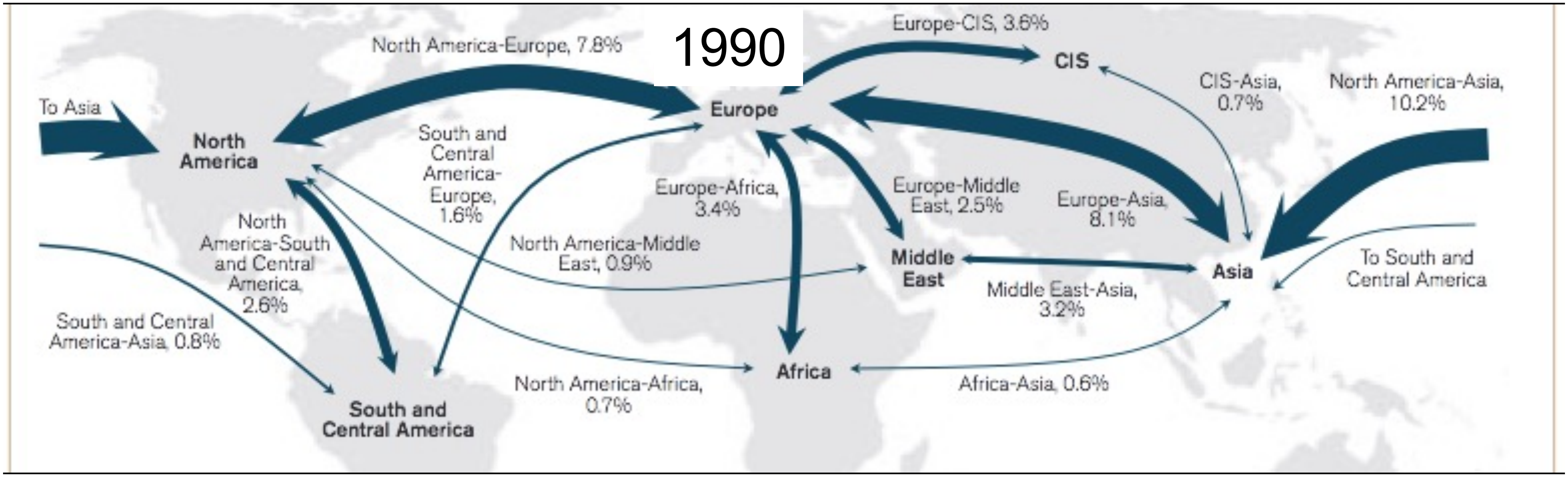
Figure B.15.B: **Share of total trade between geographic regions in world trade, 2011** (percentage)

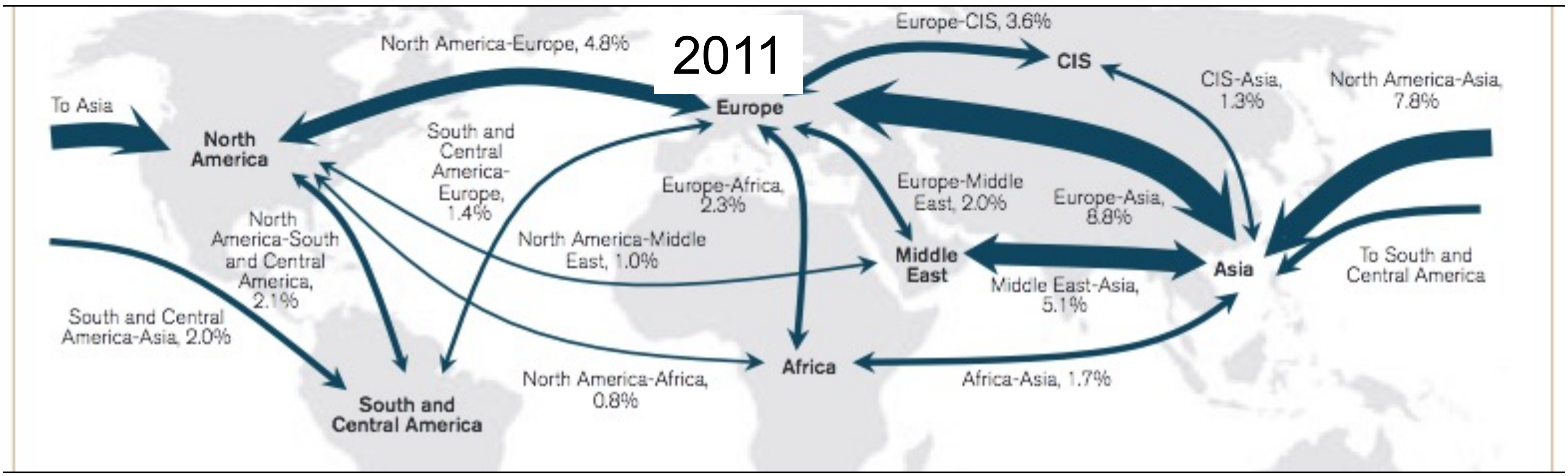


Source: WTO Secretariat estimates.

Note: World trade includes intra-EU trade. Arrow weights based on shares in 2011. Trade within regions and with unspecified destinations represented 54% of world trade in 2011.

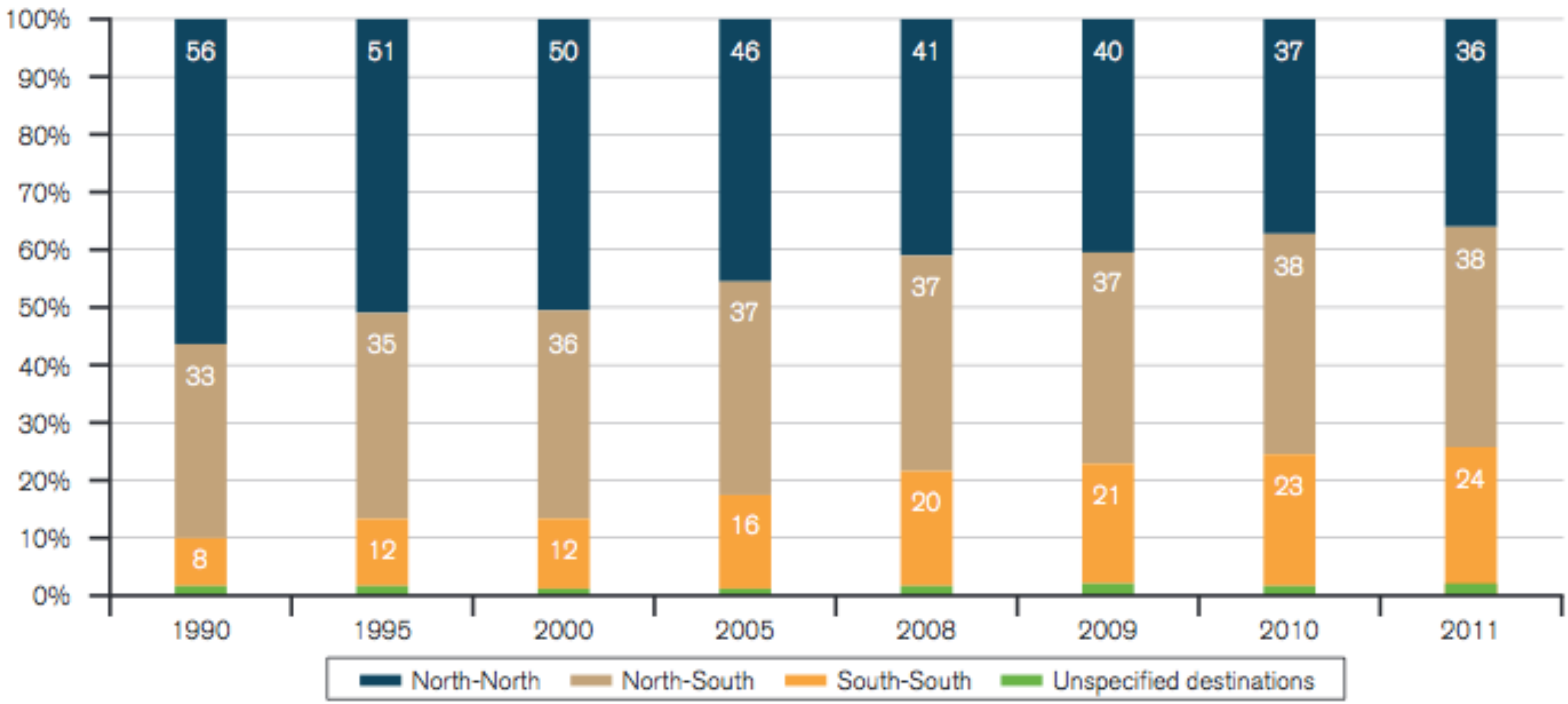
WTO, World Trade Report 2013





WTO, World Trade Report 2013

Figure B.8: **Shares of "North-North", "North-South" and "South-South" trade in world merchandise exports, 1990-2011**
(percentage share)



Source: WTO Secretariat.

Note: South includes Central and Eastern Europe before 2000, equal to 1.6 per cent of world trade in 1995.

WTO, World Trade Report 2013

What Does the World Trade?

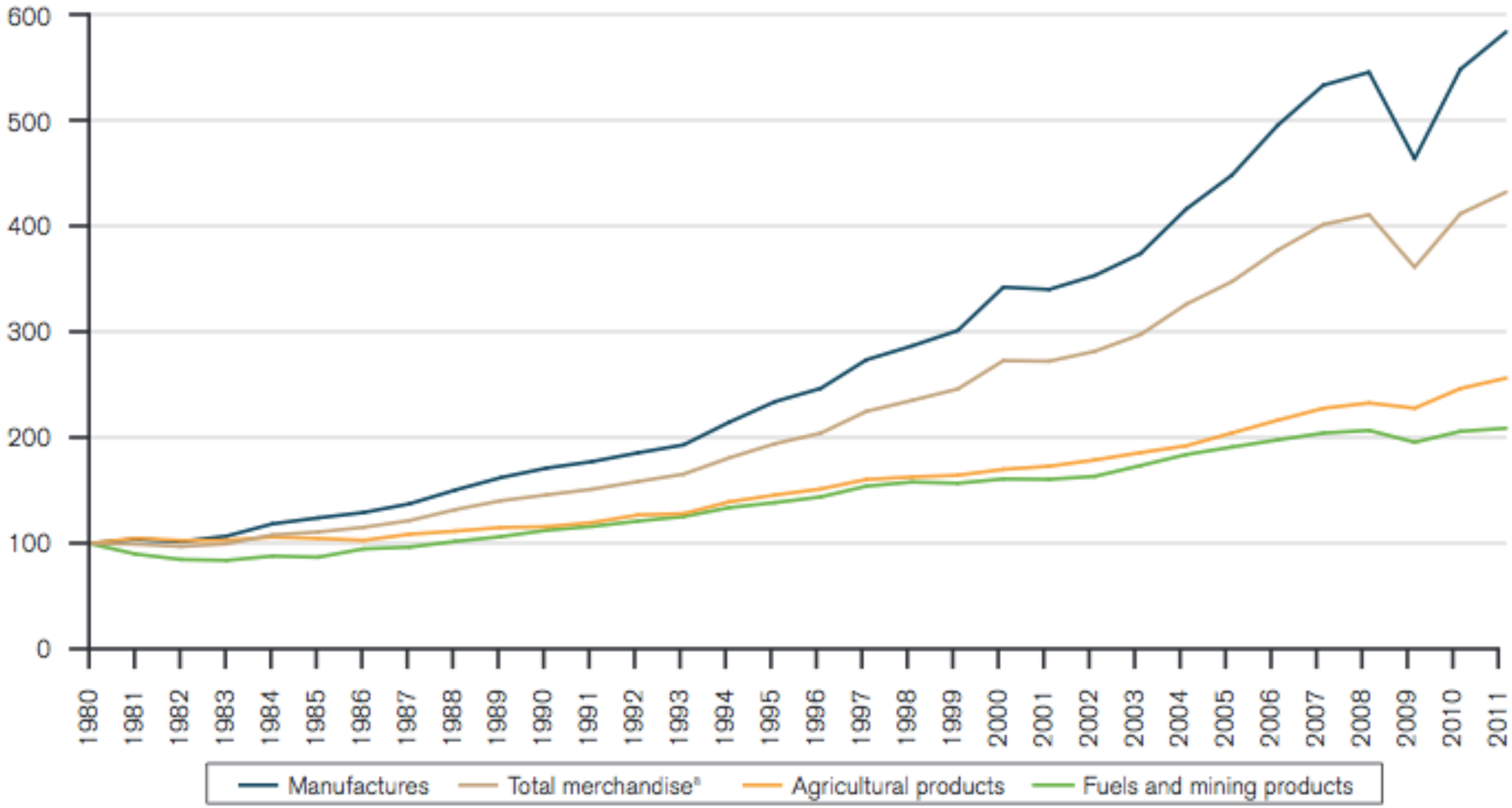
($ b. 2014 merchandise exports)

	Value
All Products	17,797
Agriculture	1,765
Fuels & Mining	3,789
Manuf.	12,243

Source: WTO, International Trade Statistics, 2015, Table II.1

Note: This source is no longer published, and its replacement lacks these data.

Figure B.11: **Volume of world merchandise exports by major product category, 1980-2011** (index, 1980=100)



[a] Includes unspecified products.

Source: WTO Secretariat.

WTO, World Trade Report 2013

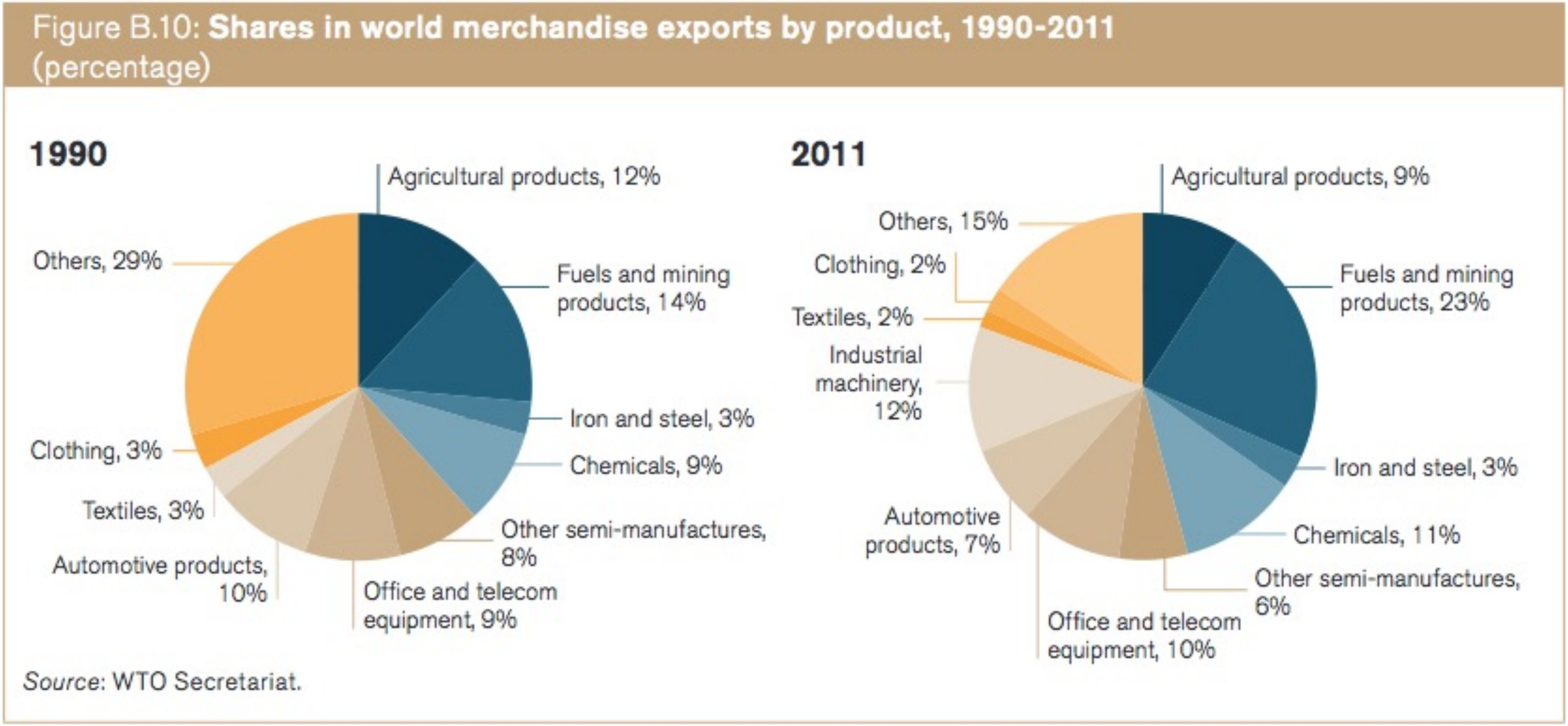


Figure B.10: **Shares in world merchandise exports by product, 1990-2011** (percentage)

Source: WTO Secretariat.

WTO, World Trade Report 2013

Did (Not available since 2011)

What ~~Does~~ the US Trade?

($ b. 2011)

This is dated. US now exports more oil than it imports.

	Exports	Imports
Total	1,497.4	2,235.8
Agriculture	140.0	
Petroleum		462.3
Industrial supplies	496.4	319.8
Capital goods, exc. auto	493.2	513.4
Automotive	133.1	255.2
Other non-ag	234.6	
Other non-petrol		685.1

Source: Economic Report of the President, Feb 2013, Table B-104.

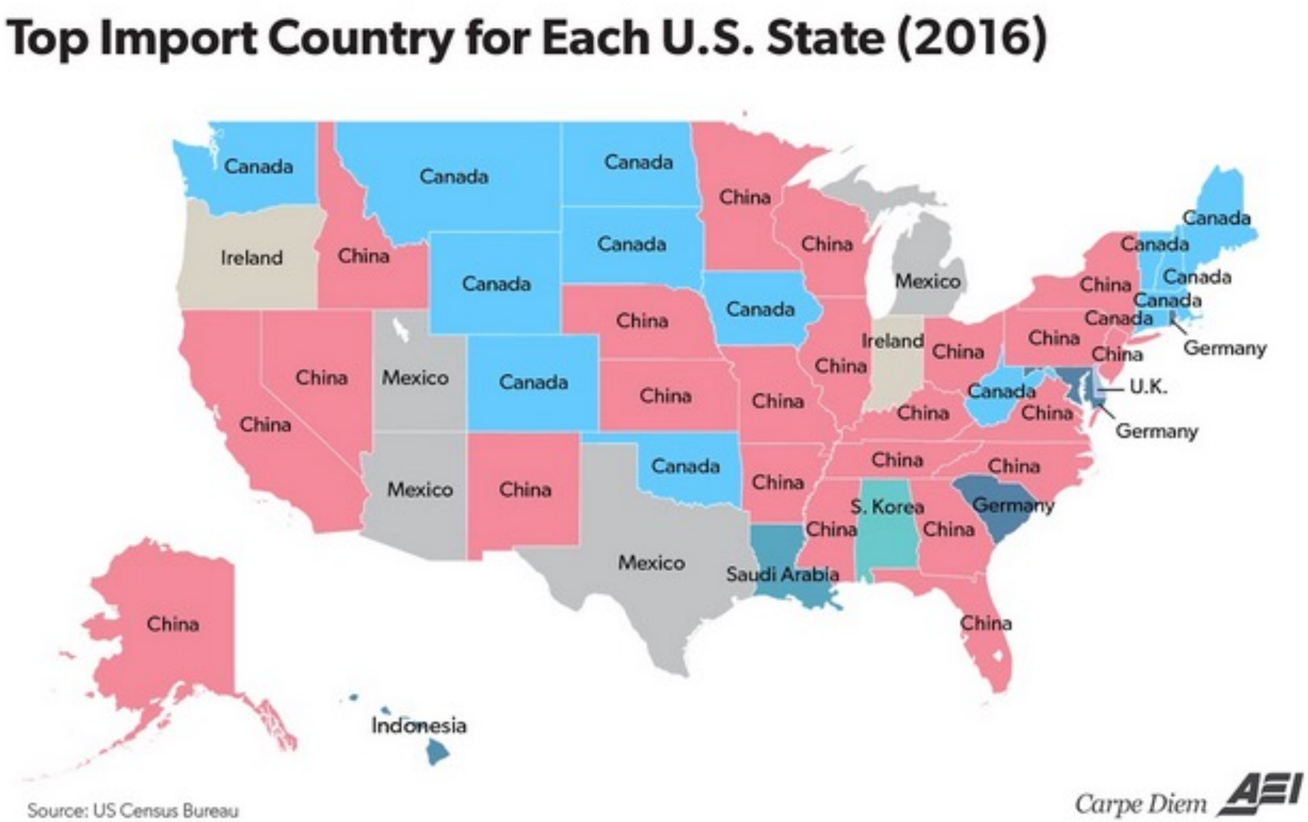

U.S. Imports & Exports
2019
IMPORTS $3.1 trillion
EXPORTS $2.5 trillion
$117 billion
CAPITAL GOODS $678 billion
$130 billion
$132 billion
$149 billion
CONSUMER GOODS $654 billion
$191 billion
INDUSTRIAL GOODS $522 billion
AUTOMOTIVE $376 billion
FOODS, FEEDS & BEVERAGES $151 billion
CAPITAL GOODS $547 billion
$57 billion
$132 billion
$36 billion
$50 billion
INDUSTRIAL GOODS $531 billion
$81 billion
$122 billion
$41 billion
$37 billion
CONSUMER GOODS $206 billion
$27 billion
$61 billion
$20 billion
AUTOMOTIVE $162 billion
FOODS, FEEDS & BEVERAGES $131 billion
$20 billion
$20 billion
$9 billion
the balance

What Does the US Trade?

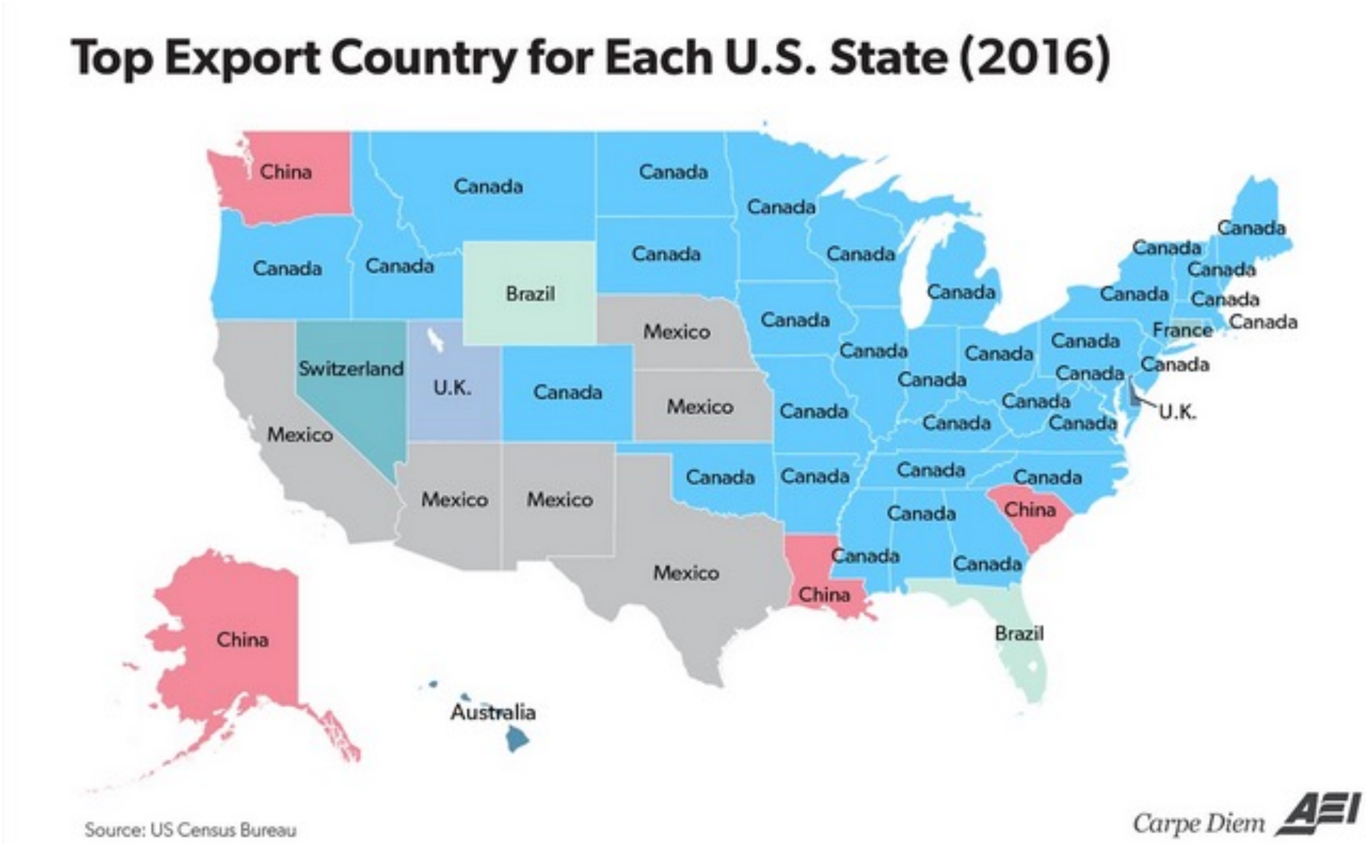
- US imports are <u>much</u> larger than US exports
- US is a big…
  - Exporter of agricultural products
  - Exporter <u>and</u> importer of
    - oil
    - capital goods (i.e., machines for making things)

Trade of US States

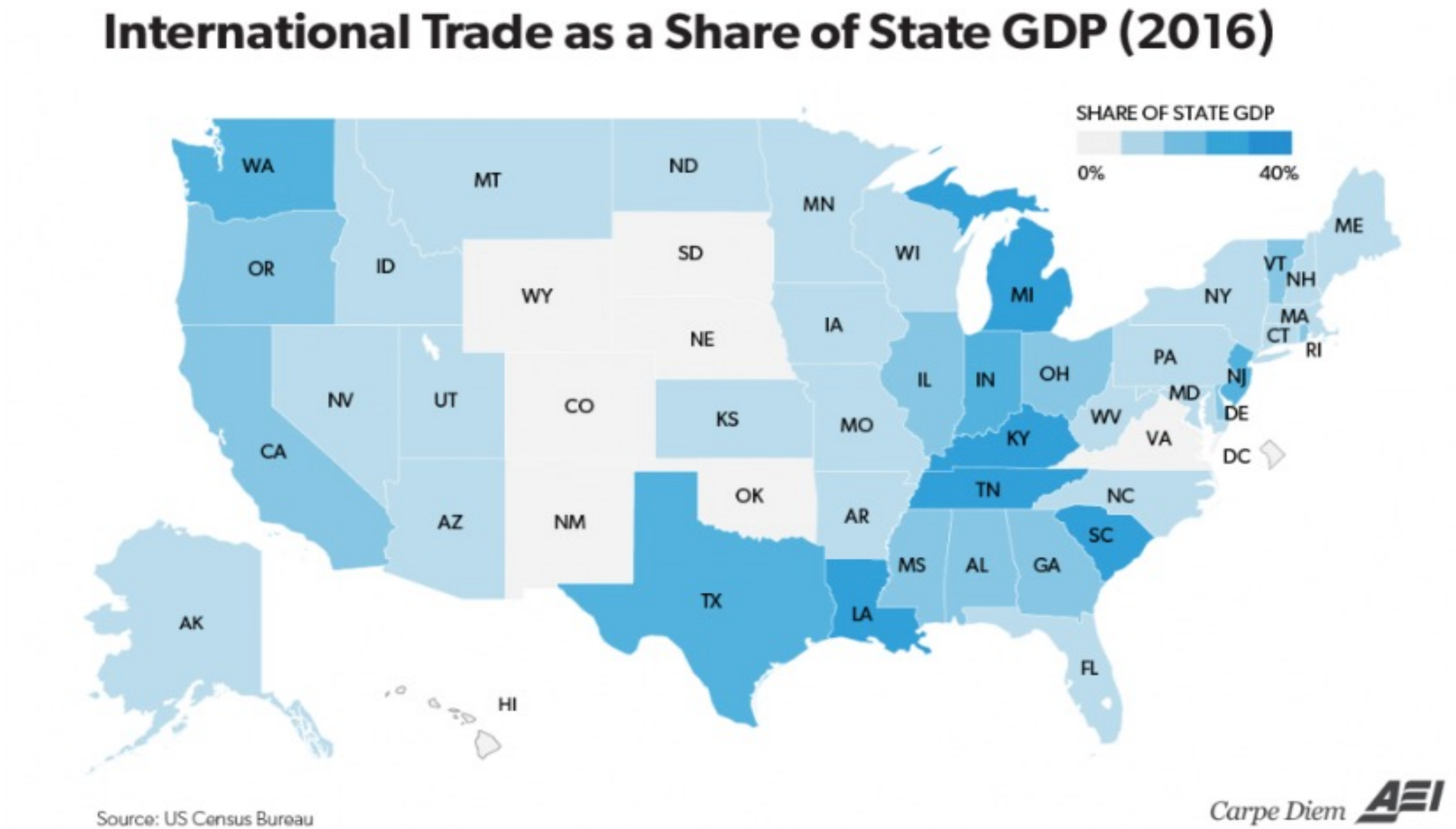
- US states differ substantially in the importance of international trade to them



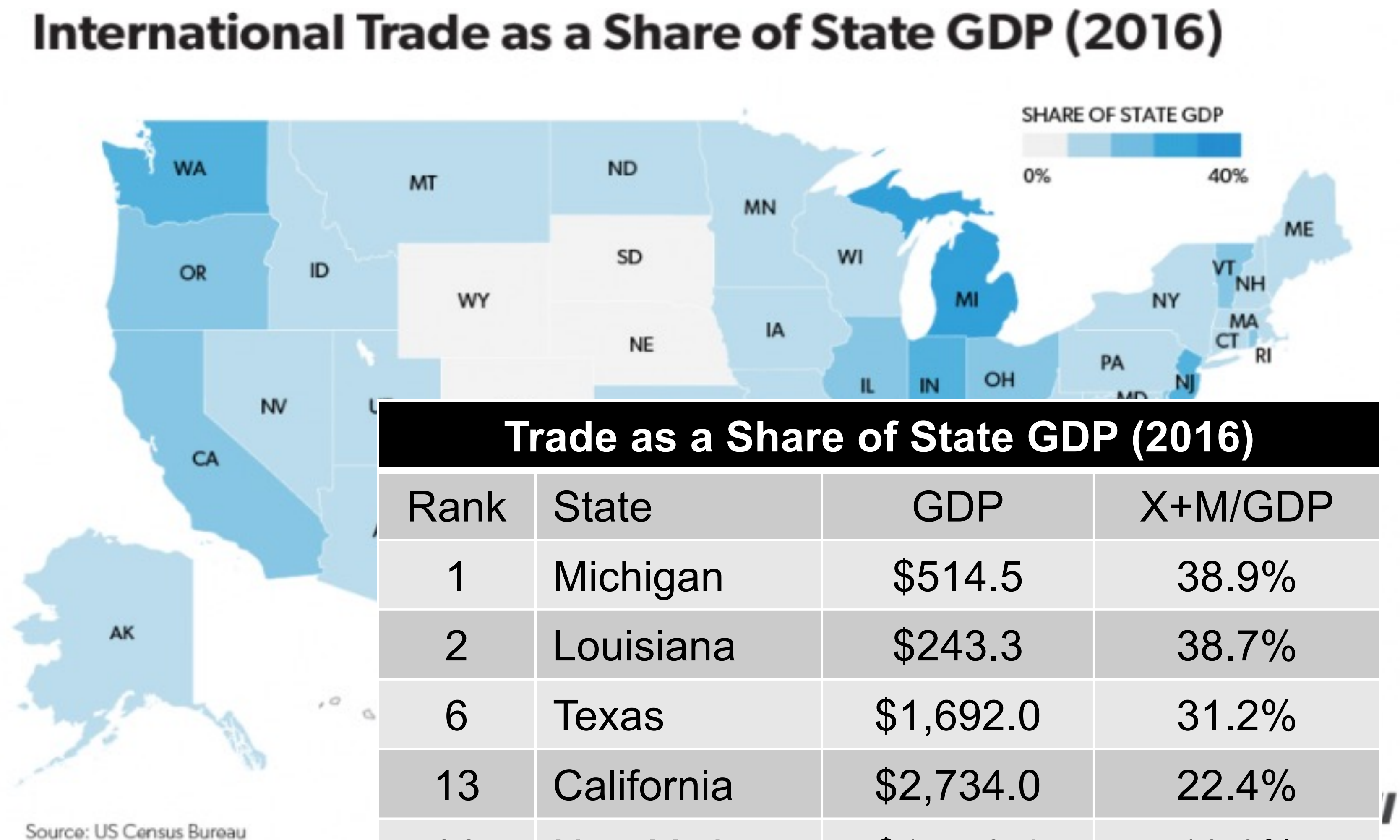
Source: Perry and Balliou (2017)



Source: Perry and Balliou (2017)



Source: Perry (2017)



Source: Perry (2017)

Trade as a Share of State GDP (2016)			
Rank	State	GDP	X+M/GDP
1	Michigan	$514.5	38.9%
2	Louisiana	$243.3	38.7%
6	Texas	$1,692.0	31.2%
13	California	$2,734.0	22.4%
32	New York	$1,550.4	13.0%
51	D.C.	$131.7	1.5%

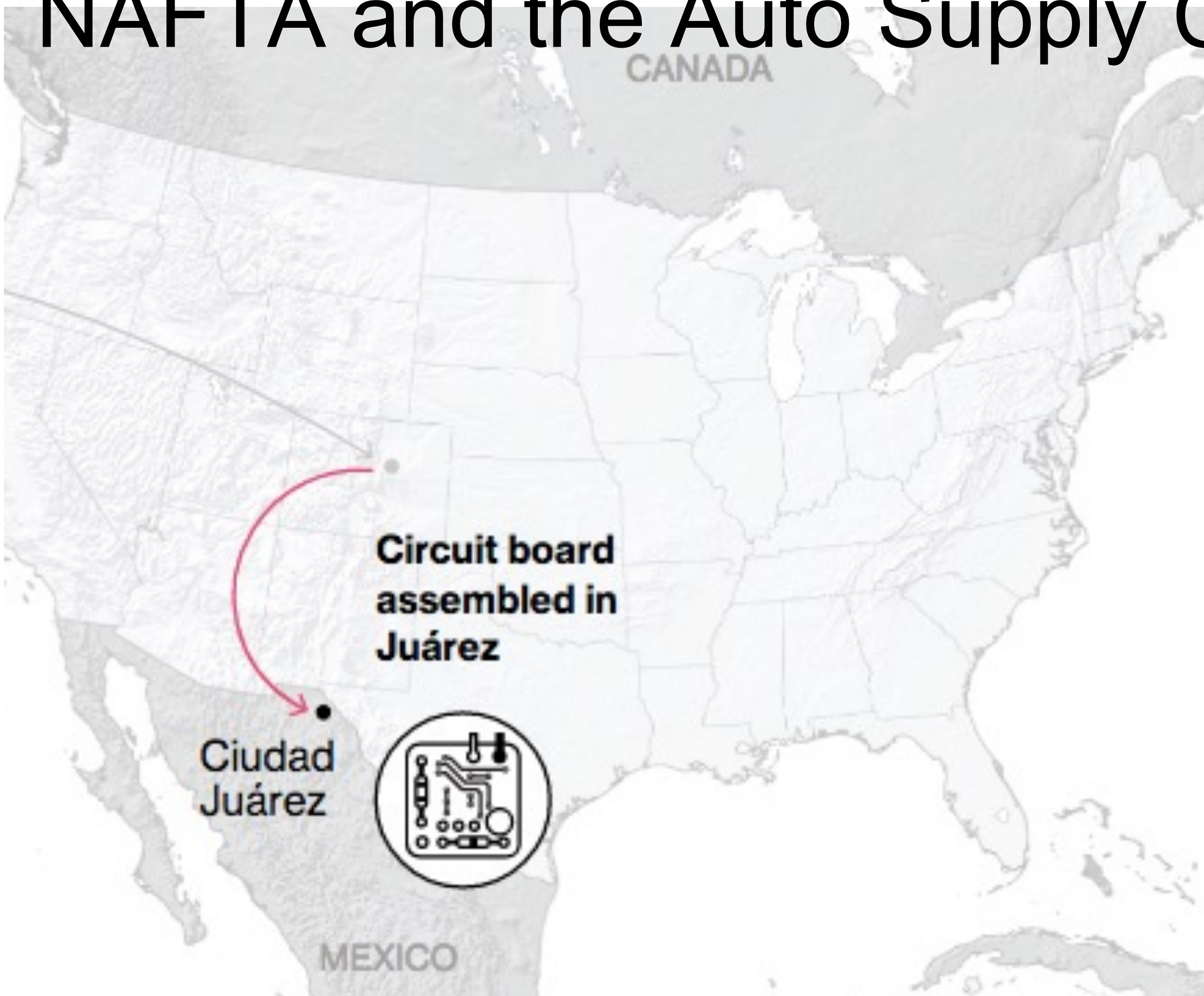
Supply Chains

- Much trade today is intermediate inputs.
- Supply chains cross national borders multiple times
- Example from Black et al., “One Tiny Widget’s Dizzying Journey Shows Just How Critical Nafta Has Become” *Bloomberg*, Feb 2, 2017

NAFTA and the Auto Supply Chain

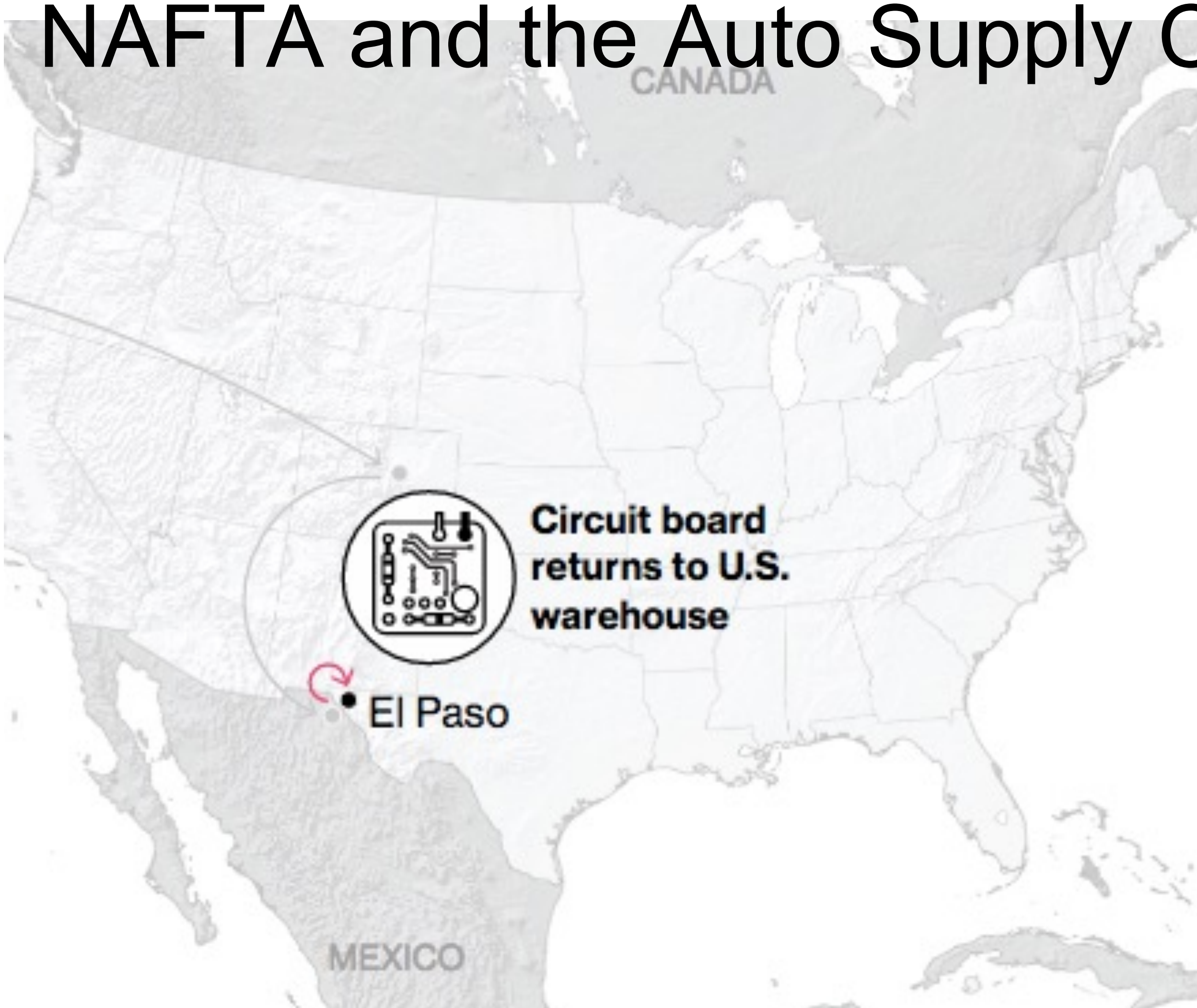
Black, Diamond, and Merrill, “One Tiny Widget’s Dizzying Journey Shows Just How Critical Nafta Has Become,” *Bloomberg*, February 2, 2017.

NAFTA and the Auto Supply Chain



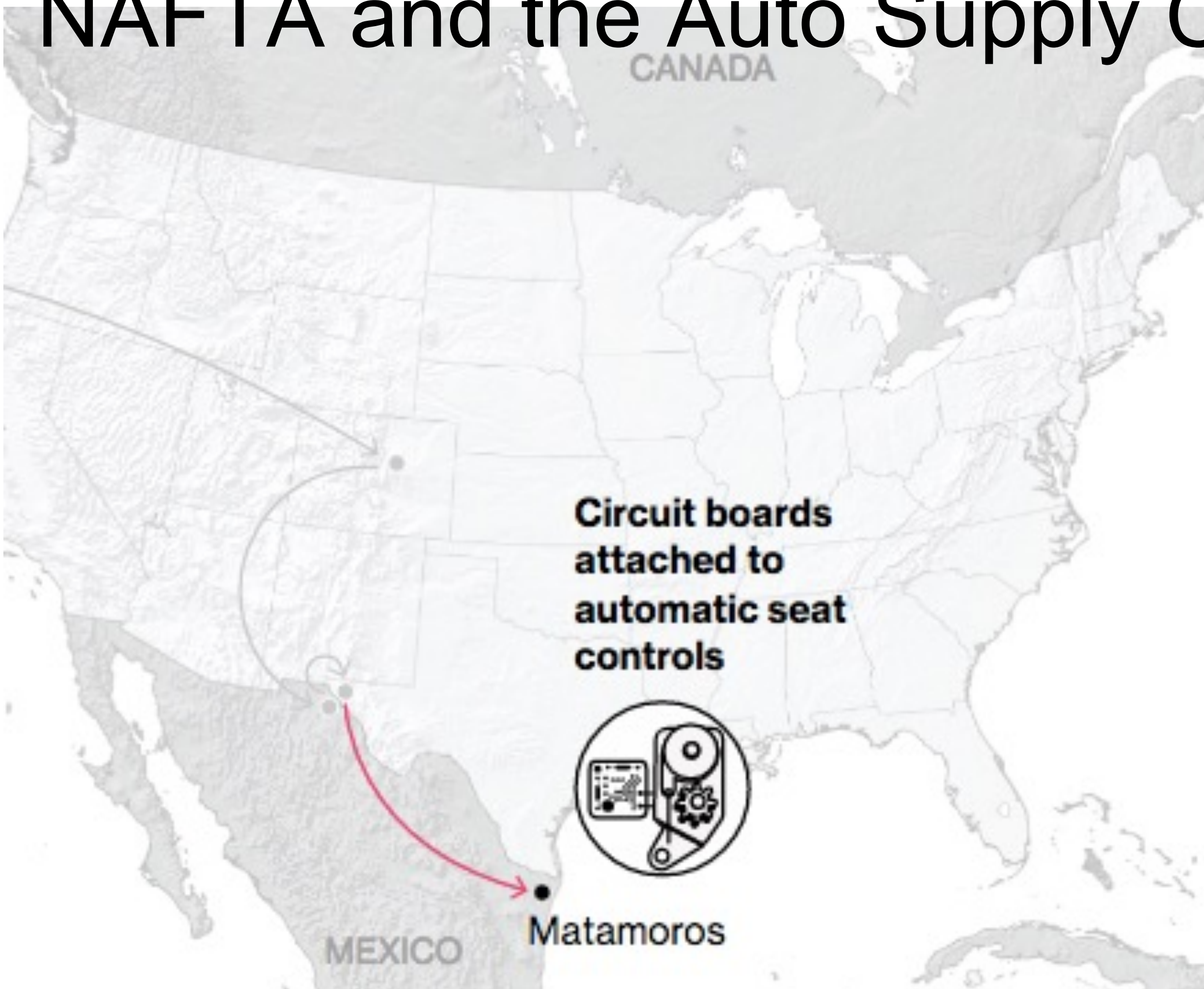
Black, Diamond, and Merrill, “One Tiny Widget’s Dizzying Journey Shows Just How Critical Nafta Has Become,” *Bloomberg*, February 2, 2017.

NAFTA and the Auto Supply Chain



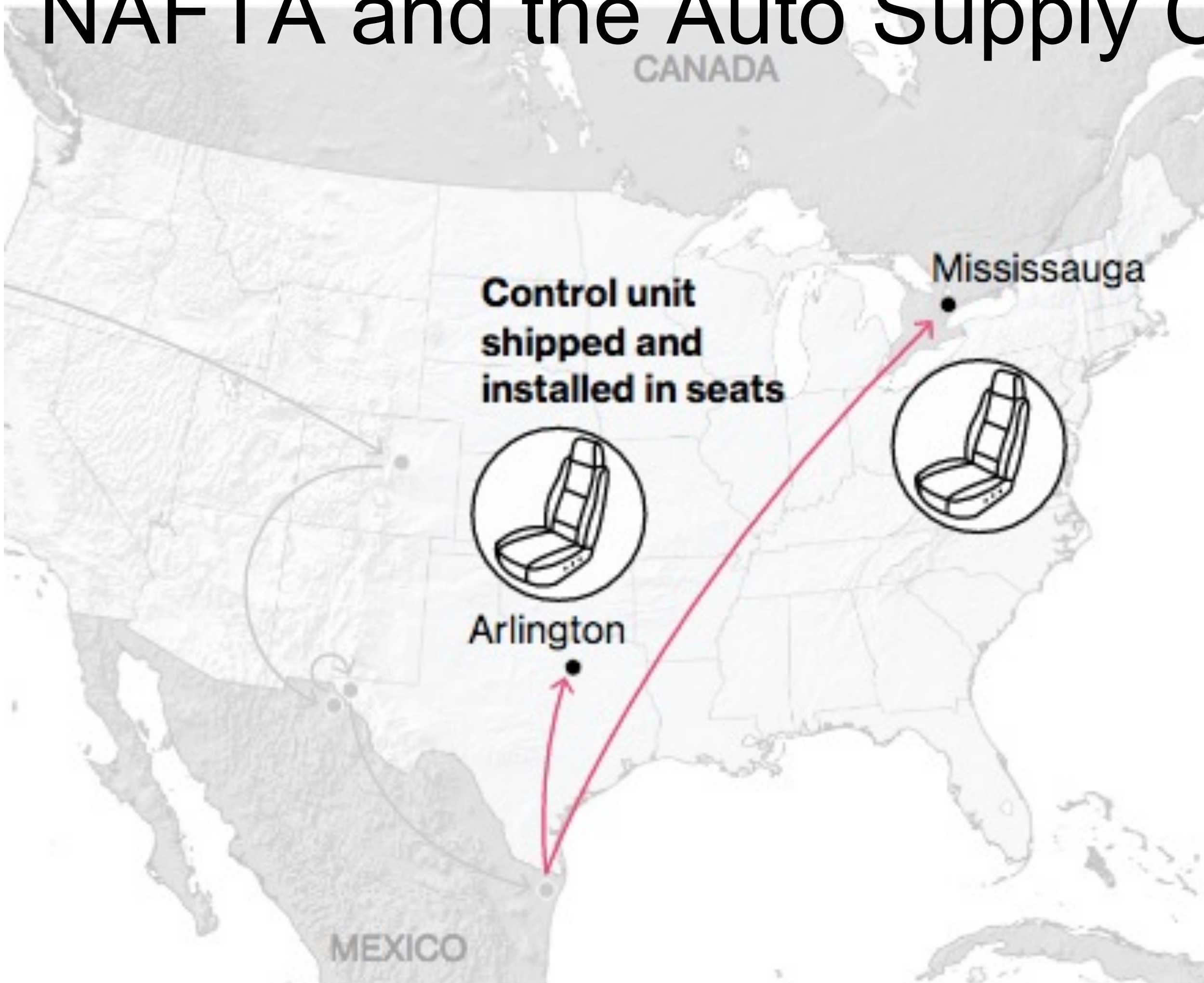
Black, Diamond, and Merrill, “One Tiny Widget’s Dizzying Journey Shows Just How Critical Nafta Has Become,” *Bloomberg*, February 2, 2017.

NAFTA and the Auto Supply Chain



Black, Diamond, and Merrill, “One Tiny Widget’s Dizzying Journey Shows Just How Critical Nafta Has Become,” *Bloomberg*, February 2, 2017.

NAFTA and the Auto Supply Chain



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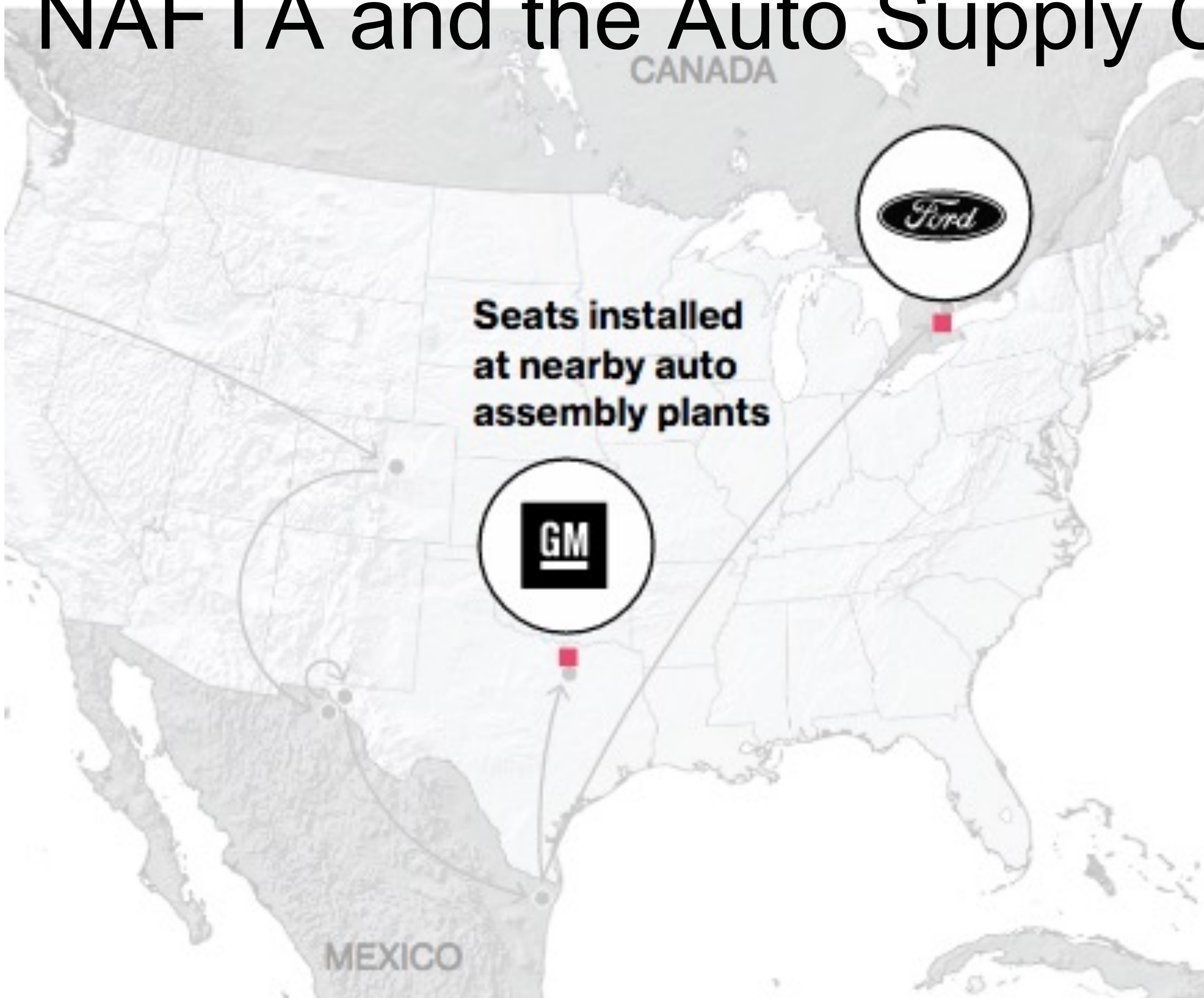
NAFTA and the Auto Supply Chain



Black, Diamond, and Merrill, “One Tiny Widget’s Dizzying Journey Shows Just How Critical Nafta Has Become,” *Bloomberg*, February 2, 2017.

- Example: The iPhone assembled in China from parts:

Part	Come from
Accelerometers	Germany, the US, South Korea, China, Japan, and Taiwan.
Audio chips	US, UK, China, South Korea, Taiwan, Japan, and Singapore.
Batteries	Samsung (South Korea), which has factories in eighty countries.
Cameras	Qualcomm (US) and Sony (Japan), both with plants in many countries
Chips for 3G/4G/LTE networking	Qualcomm (US)
Compasses	AKM Semiconductor (Japan) with plants in the US, France, England, China, South Korea, and Taiwan.
Glass screen	Corning (US) with plants in twenty-six countries.
Gyroscopes	Switzerland
… and many more	

Source: Krueger 2020, International Trade (What Everyone Needs to Know), p. 254

Pause for Discussion

Questions

- The chart showed world manufacturing exports growing faster than exports of agriculture, fuels, and mining. Why do you think that happened?
- How do you think Michigan's trade differs from that of Louisiana?

Outline

- “Globalization”
- Trade
- Policies that Affect Others

Ways that countries interact economically

- Policies that affect other countries
  - Direct
  - Indirect

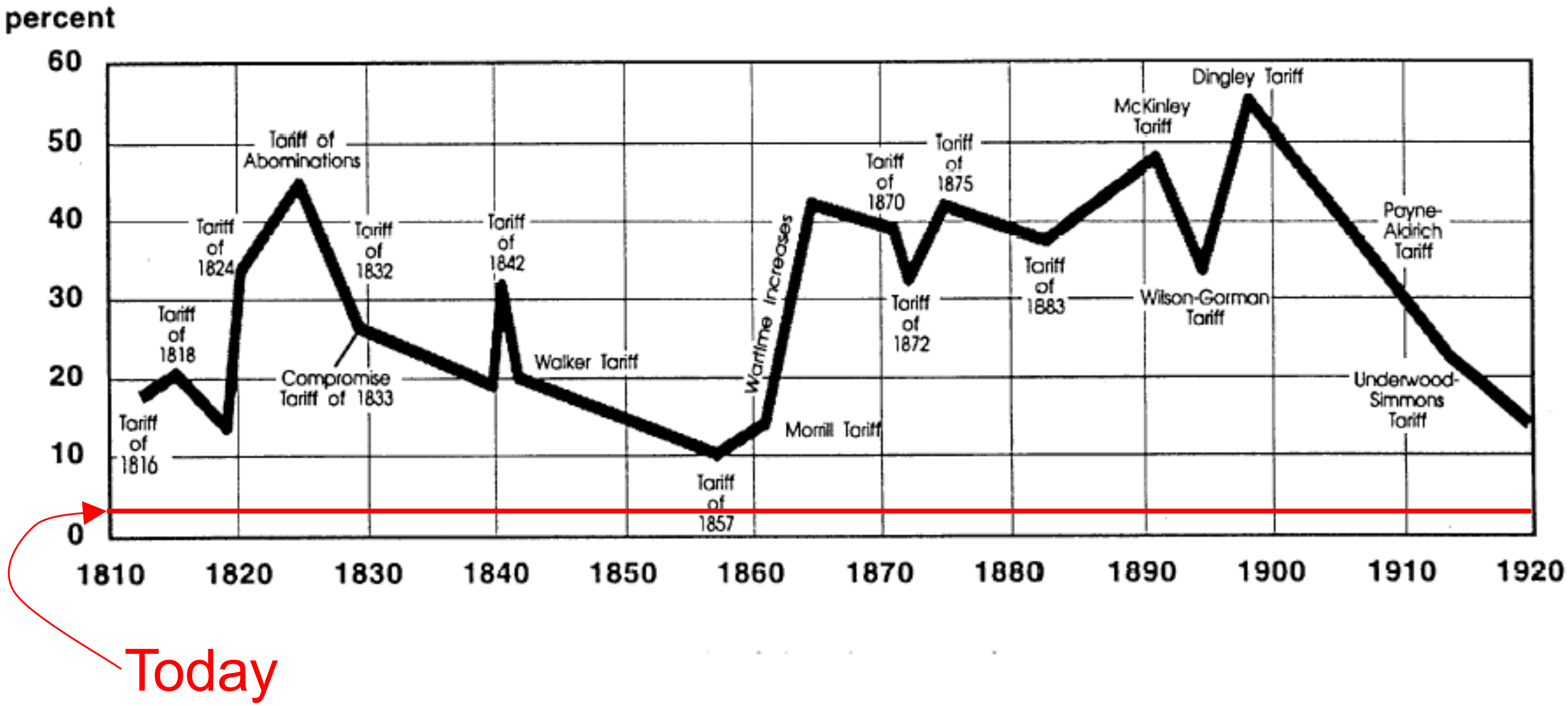
Ways that countries interact economically

- Policies that affect other countries
  - Direct
    - Trade policies (tariffs, quotas, FTAs, anti-dumping,…)
    - Foreign aid
    - Capital controls
    - Exchange rate management
    - Immigration restrictions
  - Indirect

Ways that countries interact economically

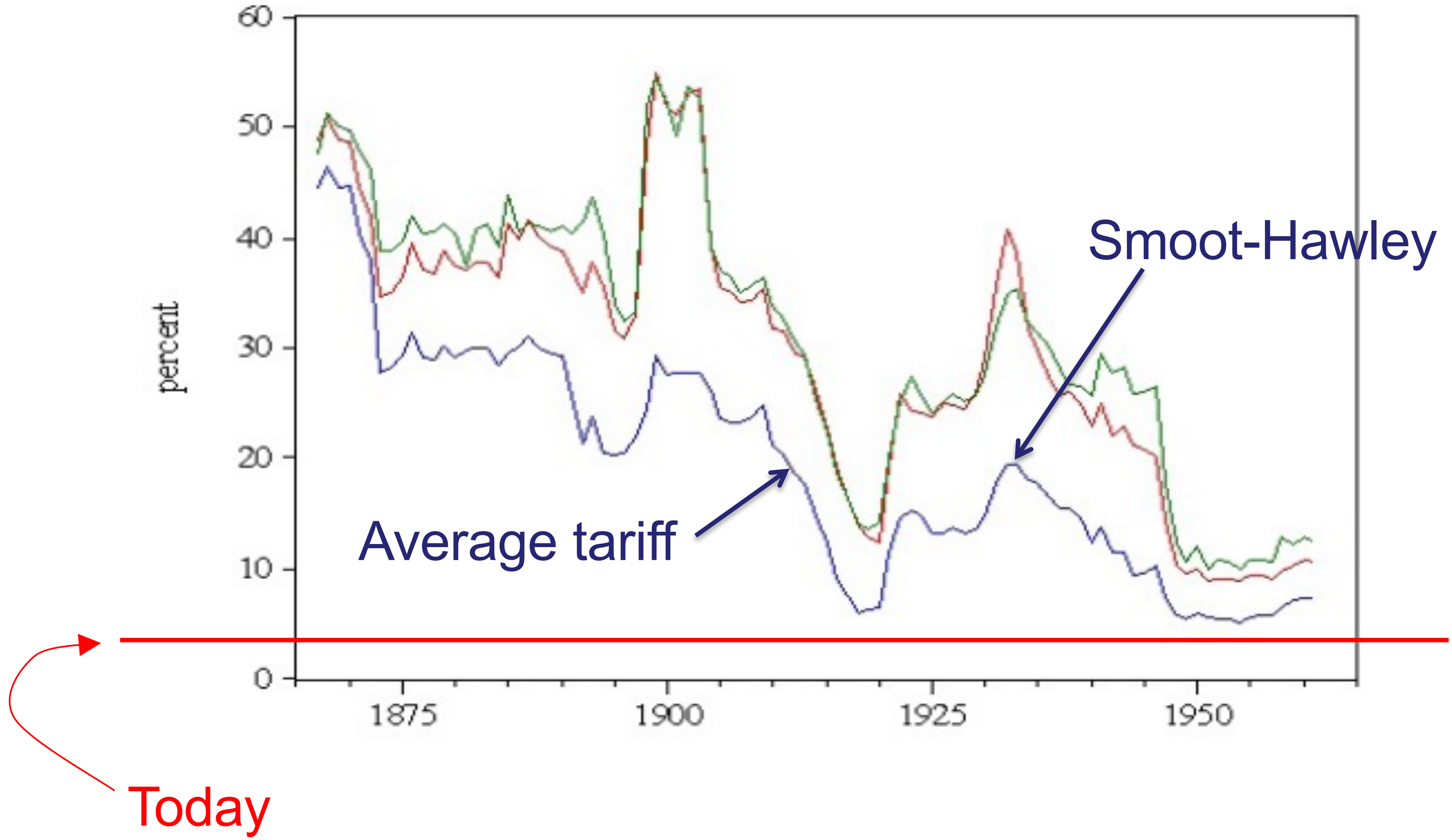
- Policies that affect other countries
  - Indirect
    - Subsidies (esp. agriculture, but lately green manufacturing)
      - US farm subsidies > foreign aid
    - Macro policies (monetary, fiscal)
      - Exchange-rate policies
    - Environmental policies
    - Standards
      - Labor
      - Health & safety
      - Norms

• US tariff history: 1810-1920



landandfreedoml.org

- US tariff history: 1865-1960

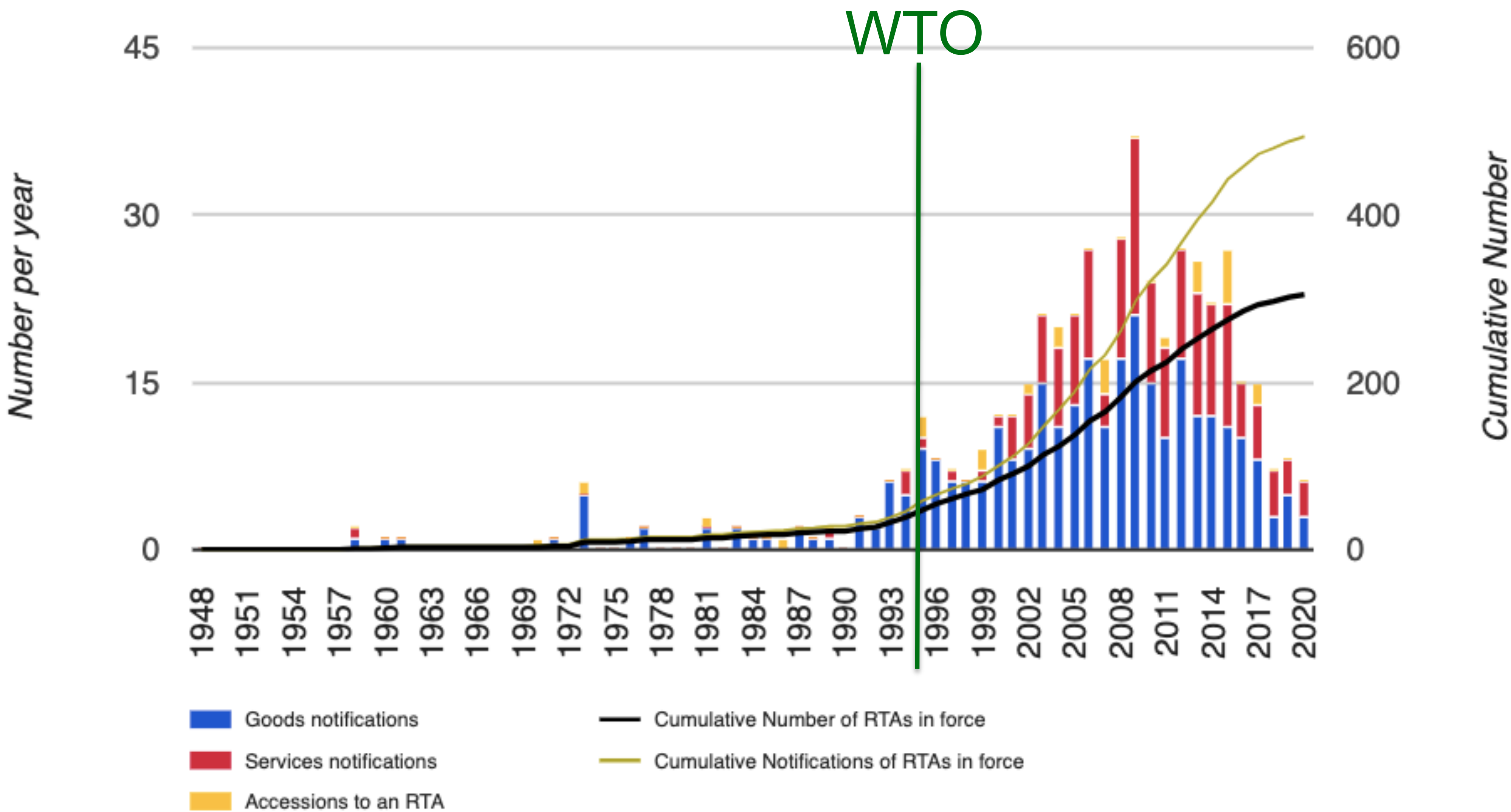


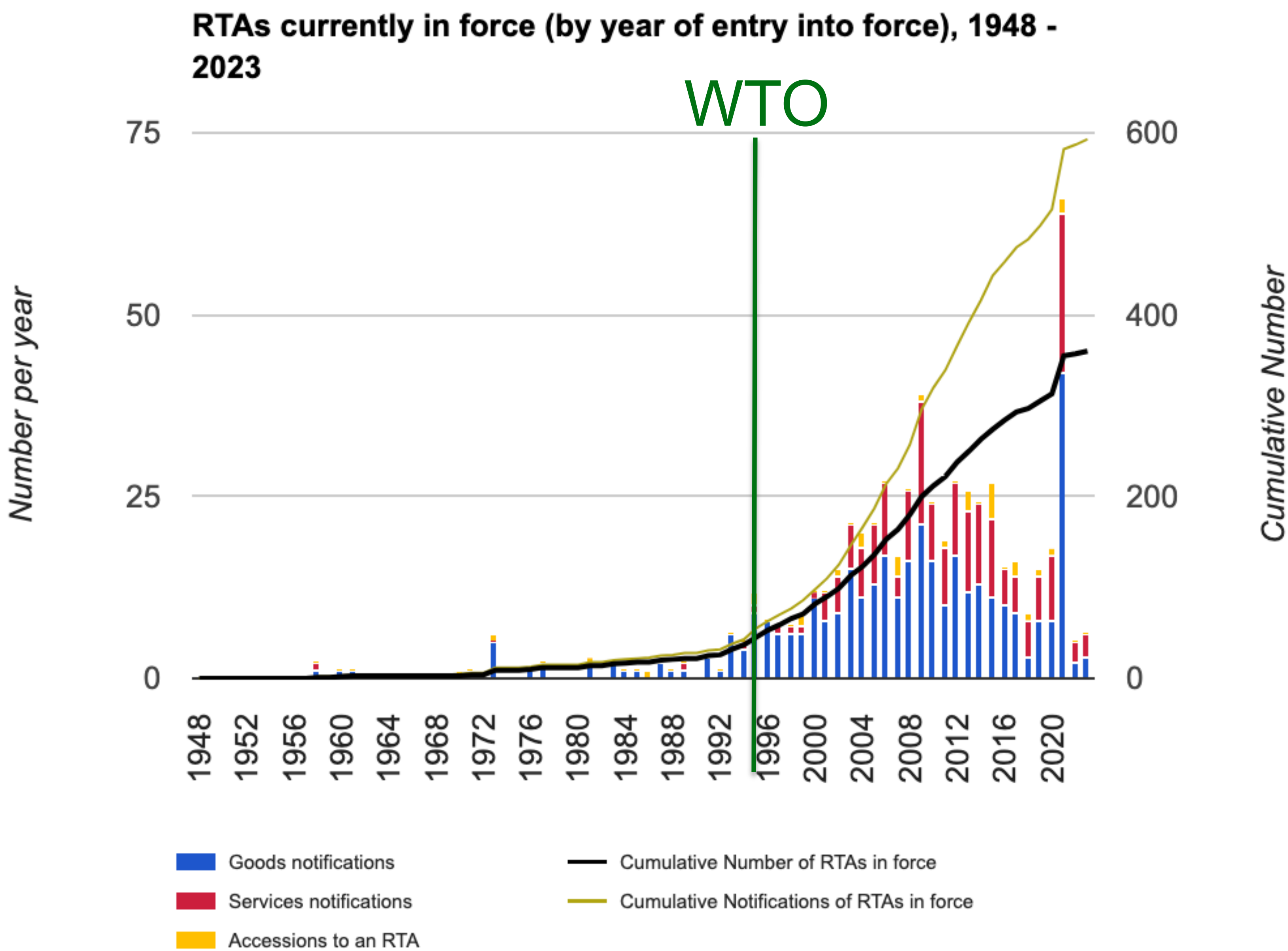
Irwin, "Trade Restrictiveness and Deadweight Losses from U.S. Tariffs," 2008, Fig 1.

Trade Agreements

- Past
  - GATT Rounds: Multilateral reductions in tariffs and other barriers
    - Uruguay Round created WTO in 1995
  - European Economic Community (now EU)
    - Customs union
  - NAFTA = North American Free Trade Agreement (now USMCA)
    - Free trade among US, Canada, Mexico
  - Other FTAs: Several hundred in force today

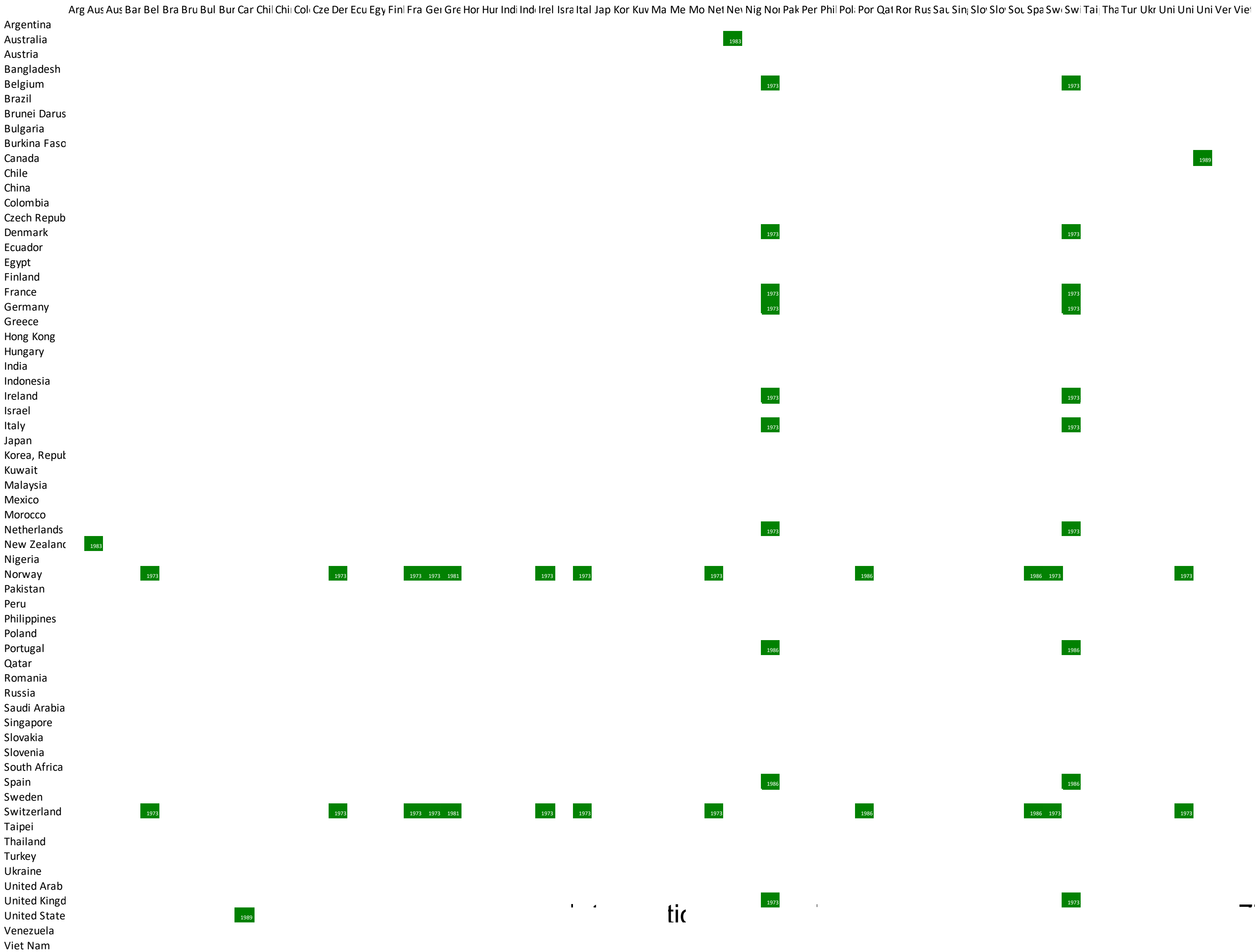
RTAs currently in force (by year of entry into force), 1948 - 2020




RTAs currently in force (by year of entry into force), 1948 - 2023
WTO
Number per year
Cumulative Number
75
50
25
0
600
400
200
0
1948
1952
1956
1960
1964
1968
1972
1976
1980
1984
1988
1992
1996
2000
2004
2008
2012
2016
2020
Goods notifications
Services notifications
Accessions to an RTA
Cumulative Number of RTAs in force
Cumulative Notifications of RTAs in force

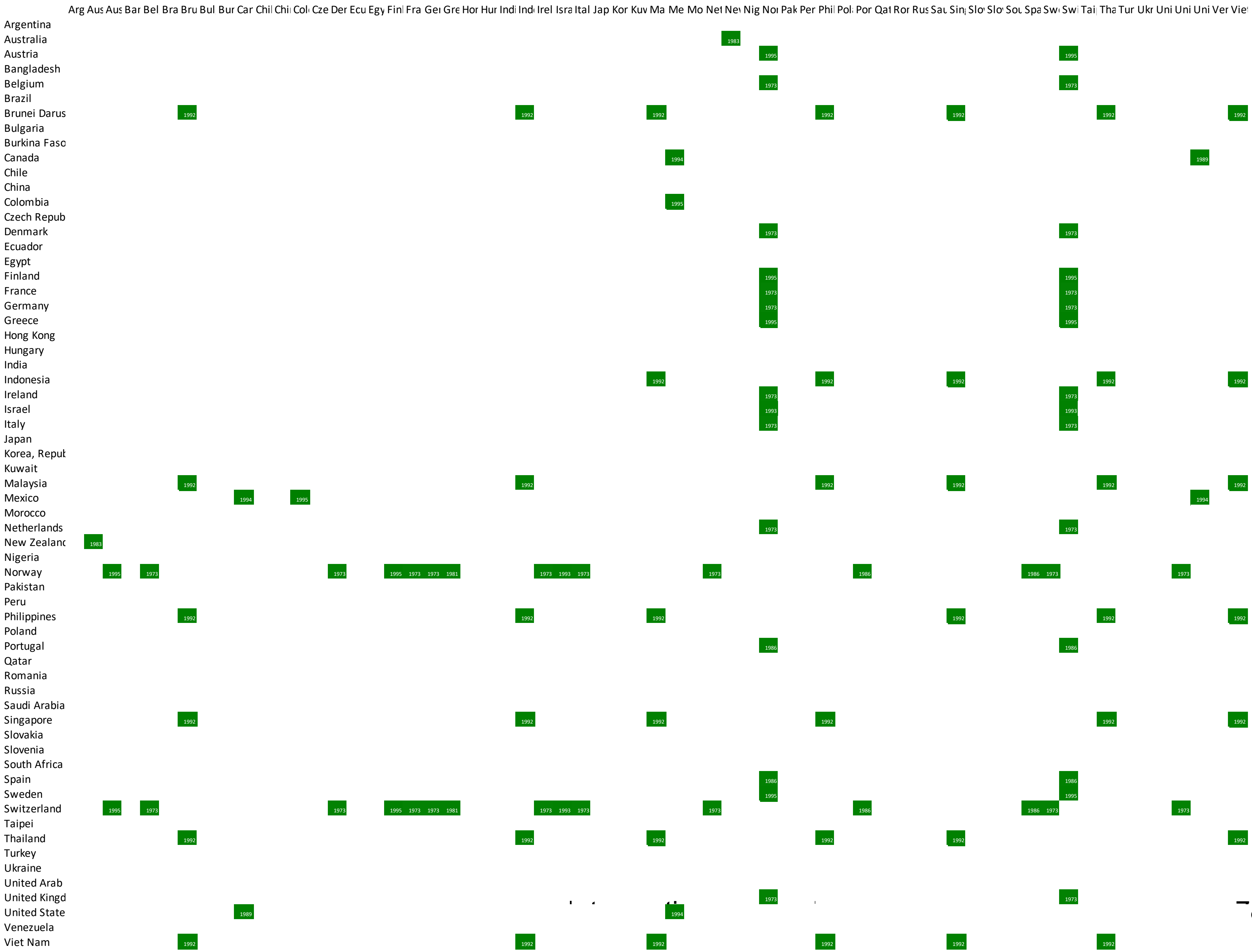
Countries connected by FTAs only, as of 1990

1%



Countries connected by FTAs only, as of 1995

3%



Countries connected by FTAs only, as of 2000

7%

	Arg	Aus	Aus	Bar	Bel	Bra	Bru	Bul	Bur	Car	Chil	Chi	Col	Cze	Der	Ecu	Egy	Finl	Fra	Gei	Gre	Hor	Hur	Indi	Ind	Irel	Isra	Ital	Jap	Kor	Kuv	Ma	Me	Mo	Net	Nev	Nig	Nor	Pak	Per	Phil	Pol	Por	Qat	Ror	Rus	Sau	Sin	Slo	Slo	Sou	Spa	Sw	Swi	Tai	Tha	Tur	Ukr	Uni	Uni	Uni	Ver	Vie
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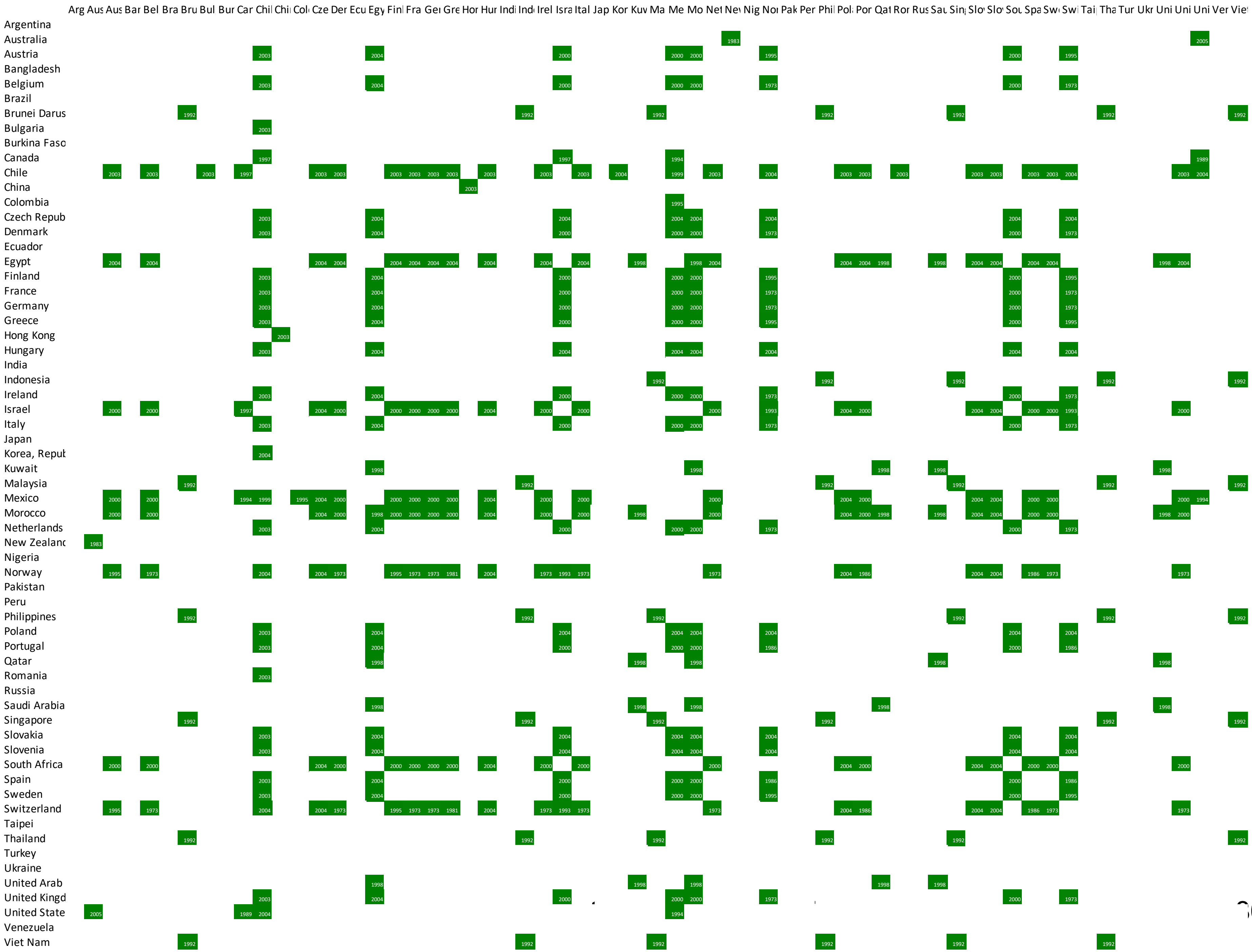
United State										1989																							1994																														
Venezuela																																																															
Viet Nam							1992																		1992							1992									1992							1992								1992							

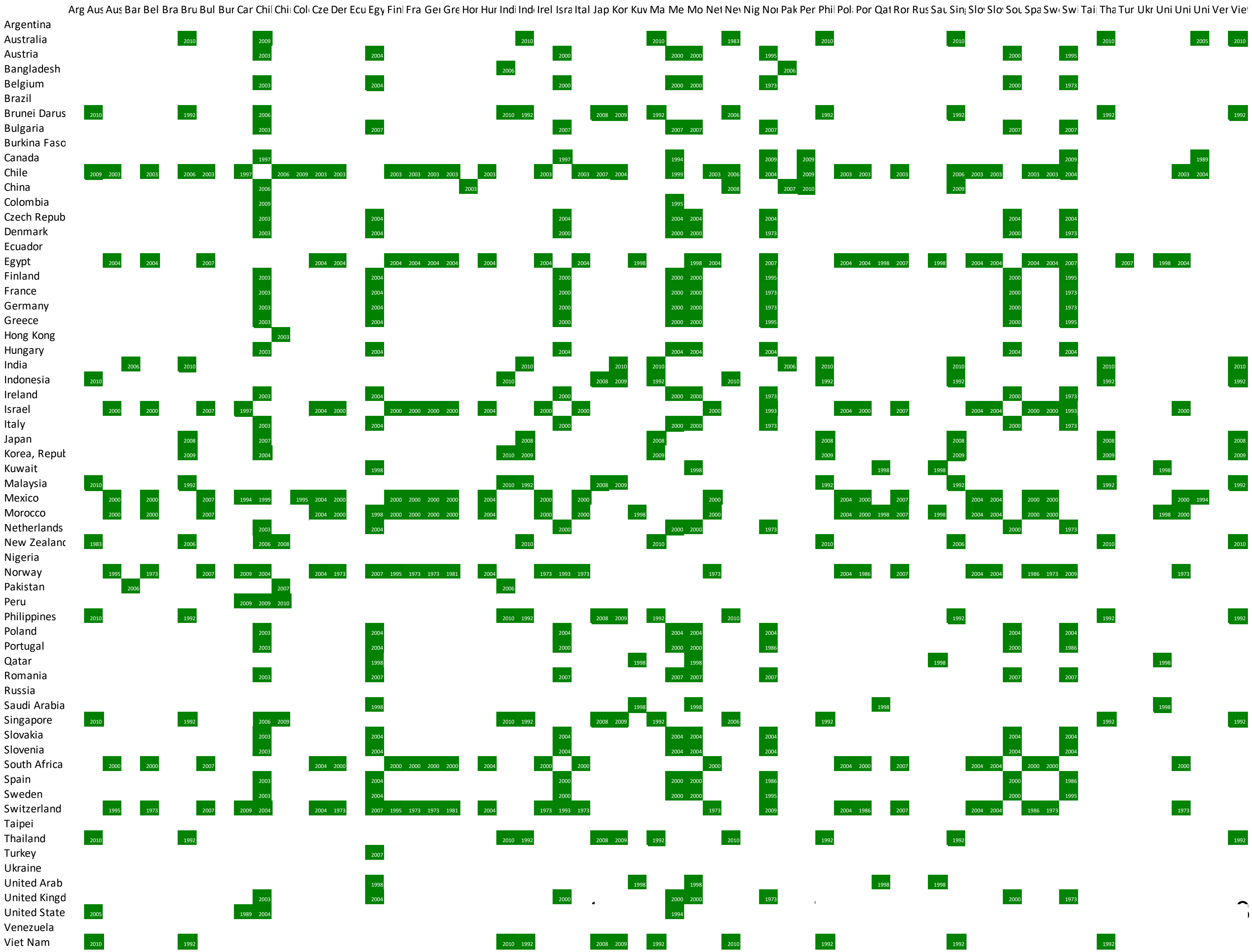
Countries connected by FTAs only, as of 2005

11%



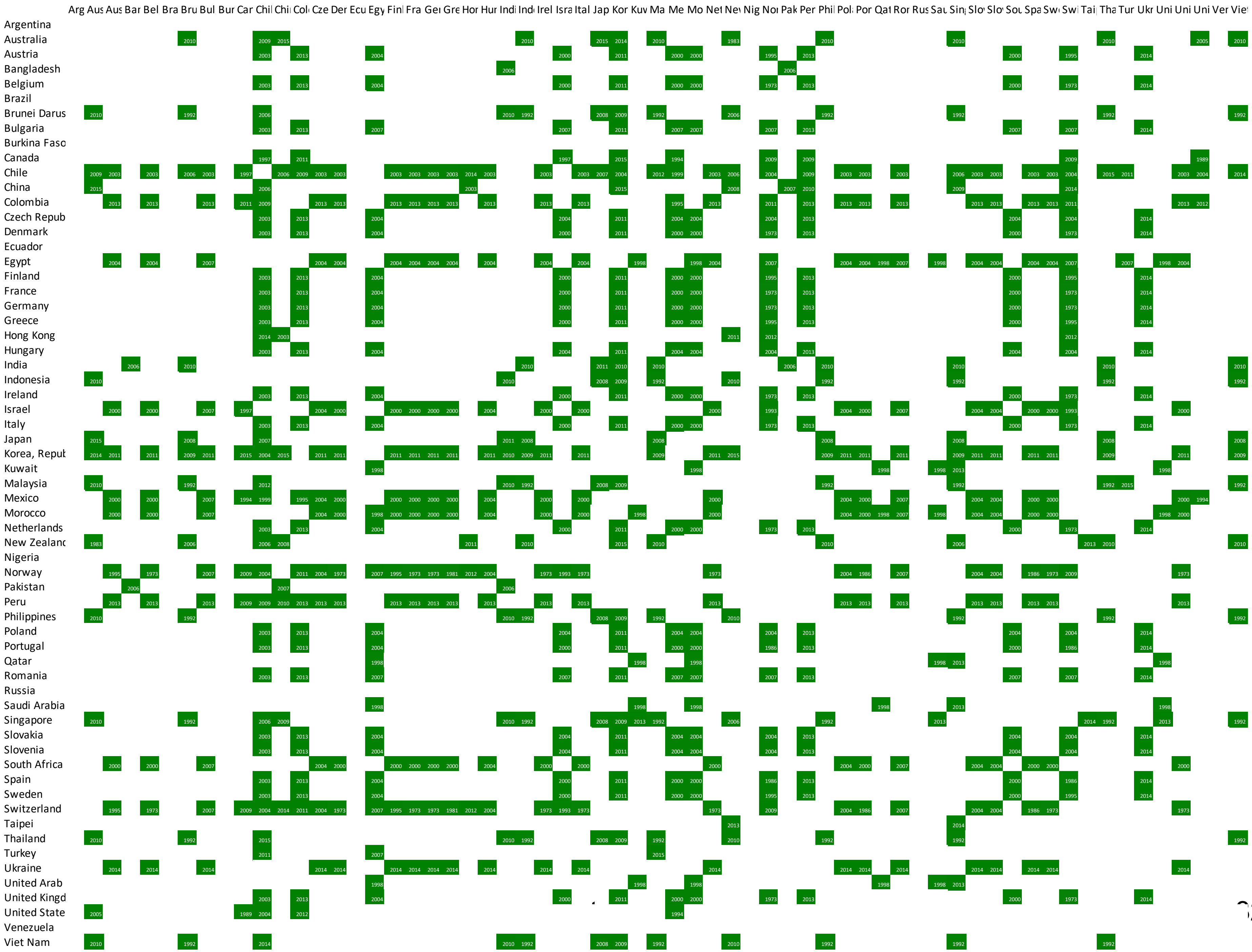
Countries connected by FTAs only, as of 2010

14%



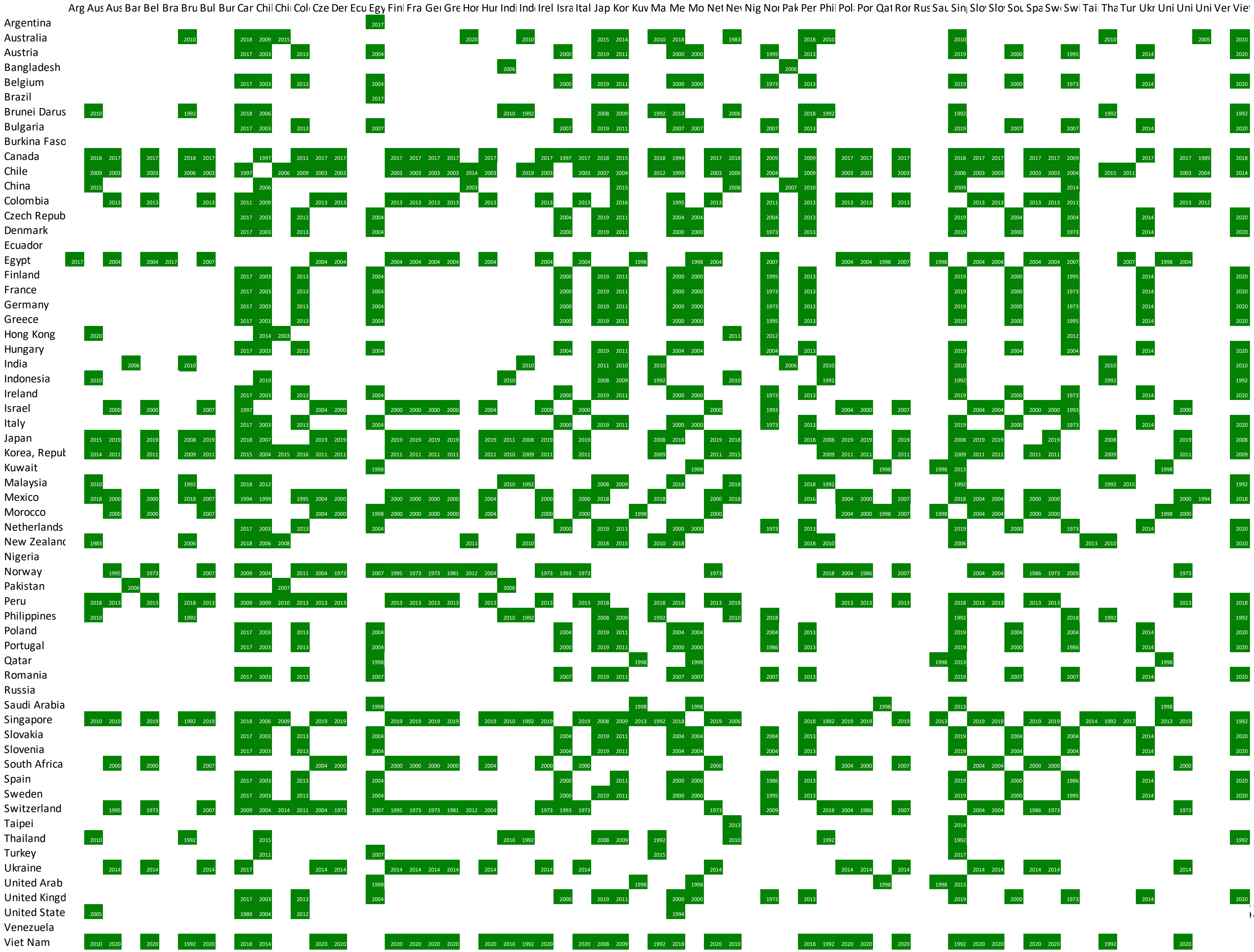
Countries connected by FTAs only, as of 2015

20%



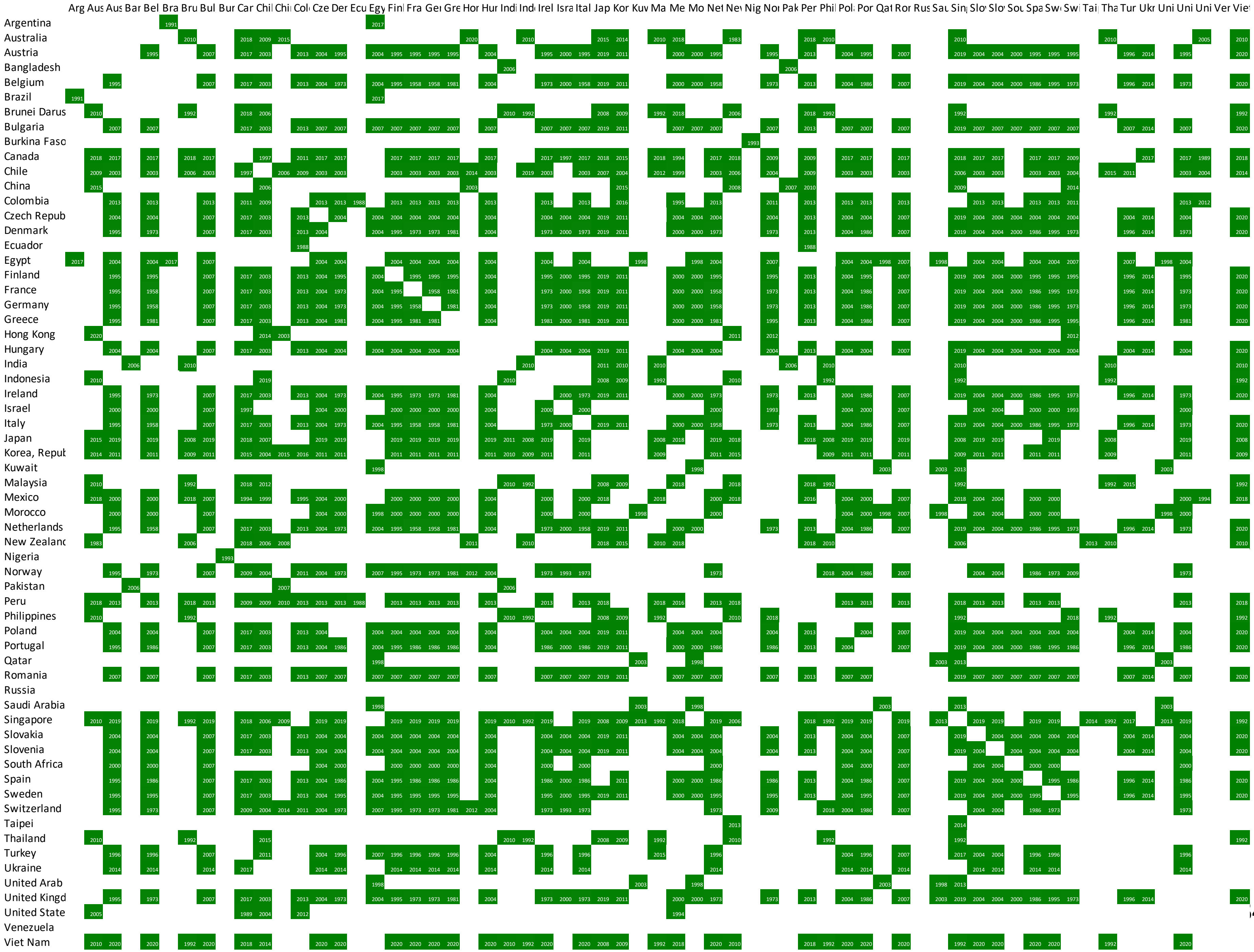
Countries connected by FTAs only, as of 2020

26%



Countries connected by FTAs or CUs as of 2020

38%



Trade Agreements

- Present
  - Doha Round: Multilateral negotiations, begun 2001
    - Negotiations limped along until December 2015
    - Round ended in failure at 2015 WTO Ministerial in Nairobi
  - Trans-Pacific Partnership (TPP)
    - 12 country-FTA, “21st century trade agreement”
    - Would have included: US, Japan and others
    - Trump pulled out
    - Other eleven formed CPTPP, effective 12/30/18:
      - **Comprehensive and Progressive Agreement for Trans-Pacific Partnership**

Trade Agreements

- Most Recent at WTO Ministerial Meetings
  - "Bali Package" on Trade Facilitation
    - December 2013
    - First ever agreement reached under WTO
  - The 2015 Nairobi commitment to abolish export subsidies for farm products
  - 2017 WTO Ministerial in Buenos Aires did little
  - Was planned for June 2020, Kazakhstan
    - Postponed due to Covid-19
    - Finally happened June 2022 in Geneva, Switzerland
    - Didn't do much: Ended subsidies to illegal fishing
  - Next, #13, will be in 2024, in United Arab Emirates

Pause for Discussion

Questions

- Is the US a leader in liberalizing trade?
- How do you think the Republicans and Democrats view trade and trade policy?

John Oliver: “Trade” 8/19/18
Tariffs

Fox News on Trump Tariffs

John Oliver: “Trade” 8/19/18
Trade Deficit

John Oliver: “Trade” 8/19/18 Manufacturing

John Oliver: “Trade” 8/19/18
Steel

John Oliver: Death by China

John Oliver: Death by Stupidity