

BNAD 522
Trade, Development & Globalization in the
21st Century
Course Syllabus
Adjunct Professor Jim Kolbe
Fall 2008

This course will examine policies that can be pursued to promote global economic development. While a particular focus will be placed on what the United States and other developed countries can do to support less developed countries in becoming more competitive and reducing poverty, we will also dedicate time to reviewing domestic economic reforms that can be taken by less developed countries. The US decision-making process and its effect on how the US is able to trade with and provide foreign assistance to other countries will be closely examined throughout the course.

The course will be divided into three main sections. In the **first section**, we will examine the impact of trade on economic development. We will start by looking at the history of today's global multilateral trading system from the formation of the General Agreement on Tariffs and Trade (GATT) in 1947 to the recently stalled Doha Development Round. We will then look more carefully at the impact of specific bilateral free trade agreements and trade preference programs including the North American Free Trade Agreement (NAFTA), the African Growth and Opportunity Act (AGOA) and the Central American Free Trade Agreement (CAFTA). We will also focus on the politics of trade in Washington and the impact that partisanship in Congress has had on the U.S. global trade agenda in recent years.

In the **second section**, students will consider the impact that U.S. foreign assistance has had in the developing world. The class will draw on resources from the professor's service as Chairman of the House Appropriations Subcommittee on Foreign Operations which is responsible for the allocation of U.S. foreign aid. In particular, we will examine the different approaches to foreign assistance used by the U.S. Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC), the impact of increased U.S. fund for global health and HIV/AIDS and the role that trade capacity assistance has in complementing trade liberalization.

Finally, in the **third section**, we will consider domestic reforms that can be taken by developing countries to increase their own competitiveness and combat poverty. We will examine the impact that reforms such as private property rights, deregulation, privatization and the strengthening of government institutions can have on economic development abroad.

Assignments: There will be no examinations. Students will complete three assignments:

Assignment #1, two press releases, each one page. The first one will be issued by the Office of the United States Trade Representative (USTR) giving the Administration's position, outlook, etc. On the sidelining vote in the House of Representatives on the Colombia Free Trade Agreement (FTA). The second press release is on the same topic, but issued by the AFL-CIO Press Dept.

3. A 4-5 page Memo to the future President highlighting the arguments for or against ANY ONE OF THE PENDING AGREEMENTS--Colombia, Panama or Korea. The Memo should assume the

agreement is going to be voted on in October, a couple of weeks before the election. It should be written to either Obama or McCain with either a for or against recommendation on the agreement. It should acknowledge the candidate's past trade positions and then argue either for maintaining his position or taking a different position. If a change is recommended it must tell why the writer thinks the position should be altered. It should take into account political arguments as well as--how the vote will be perceived and what the opposition will try to say about the vote.

4. Group Policy Project. Your group has been designated as a multi-agency Task Force by the White House to examine the issues surrounding, and make recommendations as to how U.S. development assistance might be structured in order to improve the delivery of such aid. You have been instructed to prepare your presentation for the President's cabinet meeting on December 1st. Fifteen minutes has been allotted by the Cabinet Secretary for your presentation. You may assume the President is ordering this review because he considers the current system to be broken and in need of overhaul.

You may decide which agencies are represented by the five (in one instance six) members of your Task Force; you could all represent one agency or each a different one. You could also consider including one or more NGO representatives as members of your Task Force members. However, at least the chairman of your task force (team captain) must represent a government agency; after all, this is an internally prepared report for the President and his/her cabinet.

You can make your presentation with power point, charts, etc. You can use humor, but remember--this is a serious subject and you want the President and the Cabinet to consider your proposal seriously. Task Force members are expected to dress appropriately for a presentation in the White House cabinet room. **All task force members should participate in the presentation**, though the length of time an individual might speak or present can vary with the department/organization they represent.

Among the issues you may want to consider and cover in your report to the Cabinet would be the following:

1. Adequacy of current U.S. development assistance. Are we spending enough money? Too much? How does it compare with other donors from developed countries?
2. How effective is the assistance we provide? How does its effectiveness compare with development assistance provided by other countries?
3. What are the barriers to making more effective use of our development assistance dollars? Are they going to be found in the U.S. government? Recipient countries?
4. Are agencies tasked with providing assistance adequately staffed and are their legal mandates sufficient to carry out their tasks?
5. How does the changing global environment--everything from political conditions in different regions of the world to global climate change--affect both the need and the delivery of assistance?

6. The number of federal agencies with development assistance responsibilities. In particular, what about the growing role of the military in delivering development assistance? Is this appropriate? Inevitable?
7. The disparity between the way the US and the EU deliver assistance--project support versus budget support. Is one better or more effective than the other?
8. Should development assistance be delivered through bi-lateral programs (programs between the U.S. and the recipient country) or through international organizations in a multi-lateral way?

Your recommendations should go to:

1. The level of assistance required.
2. How to restructure development aid and agencies to streamline and improve its effectiveness.
3. How to measure the success of development programs
4. The degree to which changes can be made administratively versus requiring legislative (congressional) action.
5. In the case of the latter, strategies for congressional approval and for involving NGOs and the development community to rally support for change.
6. How to integrate private/foundation/not for profit aid and that of other governments and international institutions with our own official US assistance.

The above list--both of recommendations and suggested issues to review--is by no means exhaustive. It should be considered illustrative. The President wants your Task force to **think outside the box**.

Grading: The first assignment (two press releases) and the second assignment will each count for 10% of the grade. The group project will count for 45% and class participation will count 35%.

Office Hours and GTA: My office hours will be 2:30-4:30pm each day of class or by appointment. My office is located on the fourth floor of McClelland Hall room 422. The GTA is Mauricio Torres-Benavides; his phone number is (951) 893-3268 and email: metb@email.arizona.edu. Mauricio will be assisting me with research and grading for the course.

Required Books:

- Hernando de Soto, [The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else](#)

Group Policy Project – Task Force list/groups

Task Force 1

Chm: Cyrus Kosh-chashm
Danita Ng
Chris Sorbe
Petra Emerson
Neil Gustafson

Task Force 2

Chm: Erica Batalha
Matthew Schulz
Margo Lunsford
Krista Pietschman
Maurice Light

Task Force 3

Chm: Michael Russo
Ian Vasquez
Tori Fodder
Mohammad Mostafinejad
Melanie Ranier

Task Force 4

Chm: Vlad Novokshchenov
Shawn Flaherty
Francisco Pirez
Hanna Chalhoub

Task Force 5

Chm: Ted Vogt
Sasha Borsand
Zachary Wallen
Nicole Akporiaye
Erica Dunn

Task Force 6

Chm : Stephanie Fazzone
Stacy Scheff
David Nevin
Chris Hering
Mark Heckeke

Notes:

1) A couple of arbitrary changes to the composition of the task forces was necessitated to even out the numbers after people dropped and added the class. One new Task Force chairman was designated to fill the place of a chairman who "resigned"--that is, left class!

2) The designation of a chairman, while random, is solely for the purpose of initially convening your task force. (This White House is not in the habit of selecting its leadership through a random drawing of names.) You can decide among the group if you wish to designate a different chairperson--by consensus, power struggle--whatever! Just be sure to send a Memo to Jim Kolbe and the GA for the class, Mauricio Torres-Benavides, if you do designate a different chairman. You can expect periodic updates to the fluid political/development landscape will be forwarded to the task force through the chairman, so we need to know who that is.

Unit One: The Formation of the Global Trading System

This session will provide a brief overview of trade policies in the 19th and early 20th century including the enactment of the Smoot-Hawley Tariff Act of 1934 and its contribution to the Great Depression. We will then look at the formation of the General Agreement of Tariffs and Trade (GATT) following World War II and examine how it has contributed to today's multilateral trading system.

Readings/Lecture Materials

- I.E.E. Schattschneider, Politics, Pressure and the Tariff, Introduction, Chapters 4, 5, and Conclusion
- I.M. Destler, American Trade Politics, Chapters 1 and 2
- Arlene Wilson, *The GATT and the WTO: An Overview* (Congressional Research Service Report)

Unit Two: Global Economic Integration Since the Formation of the GATT

This session will examine the achievements and shortcomings of the World Trade Organization (WTO) and multilateral trade, looking specifically at the Uruguay Round and the currently stalled Doha Round. Students will also take a close look at the benefits of multilateral versus bilateral free trade agreements.

Readings/Lecture Materials

- Jeffrey Schott, The Uruguay Round: An Assessment (Institute for International Economics), Chapter 1
- Jagdish Bhagwati and Arvind Panagariya, "Bilateral Trade Treaties are a Sham," *Financial Times*, July 13, 2003.
- Robert Zoellick, "Ditch Obstinate Posturing to Clinch a Doha Deal," *Financial Times*, September 24, 2006.

Unit Three: Integration in the Americas – The Impact of NAFTA and CAFTA

Following a two-week unit review of the global trading system, we will turn to bilateral and regional free trade agreements pursued by the United States. As a case study, we will specifically look at trade agreements between the U.S. and our neighbors in Latin America. First, we will examine the North American Free Trade Agreement (NAFTA) which came into force in 1994. Fourteen years later, Mexico is now the second largest US trading partner and the NAFTA economies – the US, Mexico and Canada – have more than doubled in size. However, some pundits contend that the agreement has had negative consequences, particularly in the Mexican agrarian sector. We will look at accounts from both sides. We will also look at the recently passed Central American Free Trade Agreement (CAFTA) and the political battles waged in Washington over its passage in July 2005.

Readings/Lecture Materials

- Sidney Weintraub, NAFTA's Impact on North America: The First Decade, Chapter 1: "Trade, Investment and Economic Growth," and Chapter 15: "North American Integration: A Spontaneous Process or a Driven Enterprise."
- Sandra Polaski (Carnegie Endowment for International Peace), testimony before the Senate Subcommittee on International Trade, "The Employment Consequences of NAFTA," September 12, 2006.
- Daniel P. Erikson, "Central America's Free Trade Gamble," *World Policy Journal*, Winter 2004/2005.
- Cal Dooley and Jerry Weller, "The CAFTA Choice," *ViewPoint Americas*, October 1, 2004.
- Statement by Reps. Rangel, Levin, and Becerra on CAFTA, May 27, 2004.
- Jim Kolbe, Floor Statement on CAFTA, July 27, 2005.

Unit Four: The Role of Trade Preferences Programs in Poverty Reduction

Students will assess current unilateral U.S. trade preference programs and their role in both promoting economic development abroad and contributing to U.S. national security goals. This will include an exploration of the impact that the Andean Trade Preference and Drug Eradication Act (ATPDEA) has had in curbing drug production. We will also sharply focus on the African Growth and Opportunity (AGOA) Act.

Readings/Lecture Materials

- William Cline, Trade Policy and Global Poverty, Chapter 2: "Arrangements for Preferential Access: Experience and Potential."
- Danielle Langton, "U.S. Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act and Beyond" (Congressional Research Service Report)
- Jagdish Bhagwati, Termites in the Trading System: How Preferential Agreements Undermine Free Trade, Chapter 3: "Why PTAs are a Pox on the World Trading System."

Unit Five: The Intersection of Trade, Agricultural Policy, and Food Security (out of sequence)

As the rising price of food becomes an increasingly important issue in global development, this section will look at the role of agricultural subsidies in developed countries, increased reliance on biofuels, the debate over GMOs, and other factors that are being pointed to as causes of recent food insecurity in much of the world.

Readings/Lecture Materials

- “Protectionist Agriculture Policies,” extract, Hugh Corbet and Joe Guinan, *Time to Rethink the WTO System: The United States, The European Union, and World Trade*, GMF Policy Paper, March 2008.
- “Market access and agricultural trade - the double standards of rich countries,” Executive summary of Chapter 4 from: *Rigged Rules and Double Standards: Trade, Globalisation, and the Fight Against Poverty*, Oxfam Campaign Reports, 2002
- “No Drought Required For Federal Drought Aid,” Gilbert M. Gaul, Dan Morgan, and Sarah Cohen, *Washington Post*, Tuesday, July 18, 2006.
- “Multinationals, Not Farmers, Reap Biggest Rewards in Britain’s Share of CAP Payouts,” Felicity Lawrence, *The Guardian*, Thursday, December 8, 2005.

Additional Assignment:

Please also take a moment before the class to visit the Environmental Working Group’s online farm subsidy database at <http://farm.ewg.org/farm/index.php>.

In the EWG database, please find either a) someone you know personally or b) a public figure who receives farm subsidies and make a note of the total amount of subsidies he/she received in the years for which data is available.

Unit Six: The Politics of Trade

In our final session on trade, we will look at the toll that partisanship in Congress has taken on the U.S. trade agenda in recent years. Recent battles granting Trade Promotion Authority (TPA) to the President and approving the Central American Free Trade Agreement (CAFTA) have been particularly vicious. We will closely examine partisanship in Washington and the impact it has had on our global trade agenda.

Readings/Lecture Materials

- Mac Destler, American Trade Politics, Chapter 11, “Partisan Rancor and Trade Politics in the New Century.”
- Eric Jacobstein and Daniel Erikson, “Free Trade Isn’t Free of Partisan Politics,” *Los Angeles Times*, September 26, 2005.
- Jim Kolbe, Remarks to the National Association of Manufacturers (NAM), March 10, 2006.

Unit Seven: An Overview of US Foreign and Competing Theories on Aid

Students will begin the second block of courses with an overview on the history of US foreign aid. We will then turn to competing theories of foreign assistance, particularly those emphasized by Professors Jeffrey Sachs and William Easterly. While Sachs focuses on the need for greater amounts of foreign aid, Easterly argues that foreign aid en masse has not been effective and there should be a sharper focus on bottom-up development and tackling the micro issues of poverty.

Readings/Lecture Materials

- Steven Radelet, "A Primer on Foreign Aid," Center for Global Development Working Paper Number 92, July 2006.
- Jeffrey Sachs, The End of Poverty: Economic Possibilities for Our Time, Chapters 13, 14, 15, 17
- William Easterly, The White Man's Burden: How the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good, Chapters 1, 10, 11
- Jim Kolbe, Remarks at the Society for International Development, May 25, 2006.

Unit Eight: A New Approach to Foreign Aid – Development, Security, and Democracy

In recent years, there has been a call for a harmonization between U.S. military policy and foreign aid policy. In the post 9/11-world, it is becoming apparent that the military instability and economic instability of a least-developed nation are interconnected and must be addressed simultaneously. This section will address the disconnect between U.S. military policy and its foreign aid, and will explore innovative approaches to aid. This theme will be explored in more depth in the next section with an investigation of the Millennium Challenge Corporation.

Readings/Lecture Materials

- Paul Collier, The Bottom Billion: Why the Poorest Countries are Failing and What can be Done About it, Chapters 1, 2
- Robert Gates, Remarks by the Secretary of Defense at USGLC Tribute Dinner, July 15, 2008.
- Rueben Brigety, "Humanity as a Weapon of War: Sustainable Security and the Role of the U.S. Military," Center for American Progress, June 2008.
- Robert Zoellick, "Fragile States: Securing Development," World Bank Group - The International Institute for Strategic Studies, September 12, 2008

Unit Nine: A New Approach to Foreign Aid – The Millennium Challenge Corporation

This week's session will focus on the Millennium Challenge Account – a new form of foreign assistance created during the professor's tenure as Chairman of the House Appropriations Subcommittee on Foreign Operations. We will discuss this new approach to foreign aid and also examine a \$215 million compact with Honduras as a case study.

As background, in March 2002 in Monterrey, Mexico, President Bush called for a "new compact for global development," which links greater contributions from developed nations to greater responsibility from developing nations. The President proposed the Millennium Challenge Account (MCA) to carry out this mission. The idea is for development assistance to be provided to those countries that rule justly, invest in their people, and encourage economic freedom.

Readings/Lecture Materials

- Steven Radelet, Challenging Foreign Aid: A Policymaker's Guide to the Millenium Challenge Account
- Jim Kolbe, Remarks at the Center for Global Development, "Moving the MCA Debate Forward"
- Case Study: Millenium Challenge Corporation (MCC) Compact with Honduras
<http://www.mcahonduras.hn/doumentos/convenios/Honduras%20Compact.pdf>

Unit Ten: Trade Capacity Assistance

This session will focus on the intersection of trade and foreign aid in the form of trade capacity assistance. Trade capacity assistance helps countries reform their regulatory procedures and makes trade more efficient and effective. Over \$1.3 billion in trade capacity assistance is provided each year by the U.S. government to countries throughout the world.

Readings/Lecture Materials

- Danielle Langton, "Trade Capacity Building: Foreign Assistance for Trade and Development," (Congressional Research Service Report)
- Press Release, "Kolbe Announces New Trade Capacity Enhancement Fund," May 19, 2006.

Unit Eleven: Global Public Goods – HIV/AIDS and Climate Change

Students will focus on the impact that foreign assistance has had in tackling global health crises, specifically HIV/AIDS. We will examine three of the most innovative programs dealing with HIV/AIDS epidemic: the President's Emergency Plan for AIDS Relief (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis, and Malaria, and the World Bank's Multi-Country HIV/AIDS Program (MAP).

- Ruth Levine, Millions Saved: Proven Successes in Global Health, Introduction
- Center for Global Development, "Global HIV/AIDS and the Developing World."
- Jim Kolbe, Opening Statement in Hearing on FY2006 HIV/AIDS Programs, March 9, 2006.

Unit Twelve: Property Rights, Globalization and Class Review

In this final session, we will look more closely at the role property rights can play in promoting development and growth. Formal property rights to one's assets are essential in helping individuals create wealth and reduce poverty. Hernando de Soto's now famous book gives a perspective and understanding about the role of property rights. We will also end the semester by considering Chris Patten's powerful defense of globalization and trade as a summary and wrap up on many of the ideas discussed and debated during the semester.

* Hernando de Soto, The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else Chapters: 1, 3 and 7

* Chris Patten, Free for All, The Guardian, September 19, 2008 (excerpt from What Next? Surviving the Twenty-first Century, by Chris Patten)