

PubPol/Econ 541

Class 0

Introduction & Overview of the International Economy

by

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University of Michigan
2020

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

- Keep your
 - microphone off when not speaking
 - video on always, if you are willing
- 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, and
 - Any particular questions or answers you have about international economics.

Pause for Discussion

Course Information

- Complete information on public website
 - Access <http://www-personal.umich.edu/~alandear/courses/541/541.html>
 - Or google “Deardorff”, then Courses / 541
 - Or link from Canvas homepage

Course Information

- Class format
 - Mix of lecture and discussion all live via Zoom
 - Lecture material will often draw on PowerPoint slides
 - Available on website
 - Before and after
 - Discussion will often draw upon Questions posted for each class
 - Linked on Syllabus
 - In Files / Questions in Canvas

Course Information

- Communication:
 - Class will be synchronous via Zoom. DO ask questions
 - Raise hand
 - Interrupt with voice
 - Regular Zoom office hours: MTh 10-11
 - Canvas discussion
 - Email: alandear@umich.edu

Course Information

- Survey:
 - Please complete the Getting-to-know-you survey
 - Find it under Quizzes in Canvas

Course Information

- Requirements:
 - Weekly Quizzes (count only best 10)
 - 3 Papers (done in assigned groups)
 - Class participation
 - News
 - We'll discuss, weekly
 - See tabulation on my website

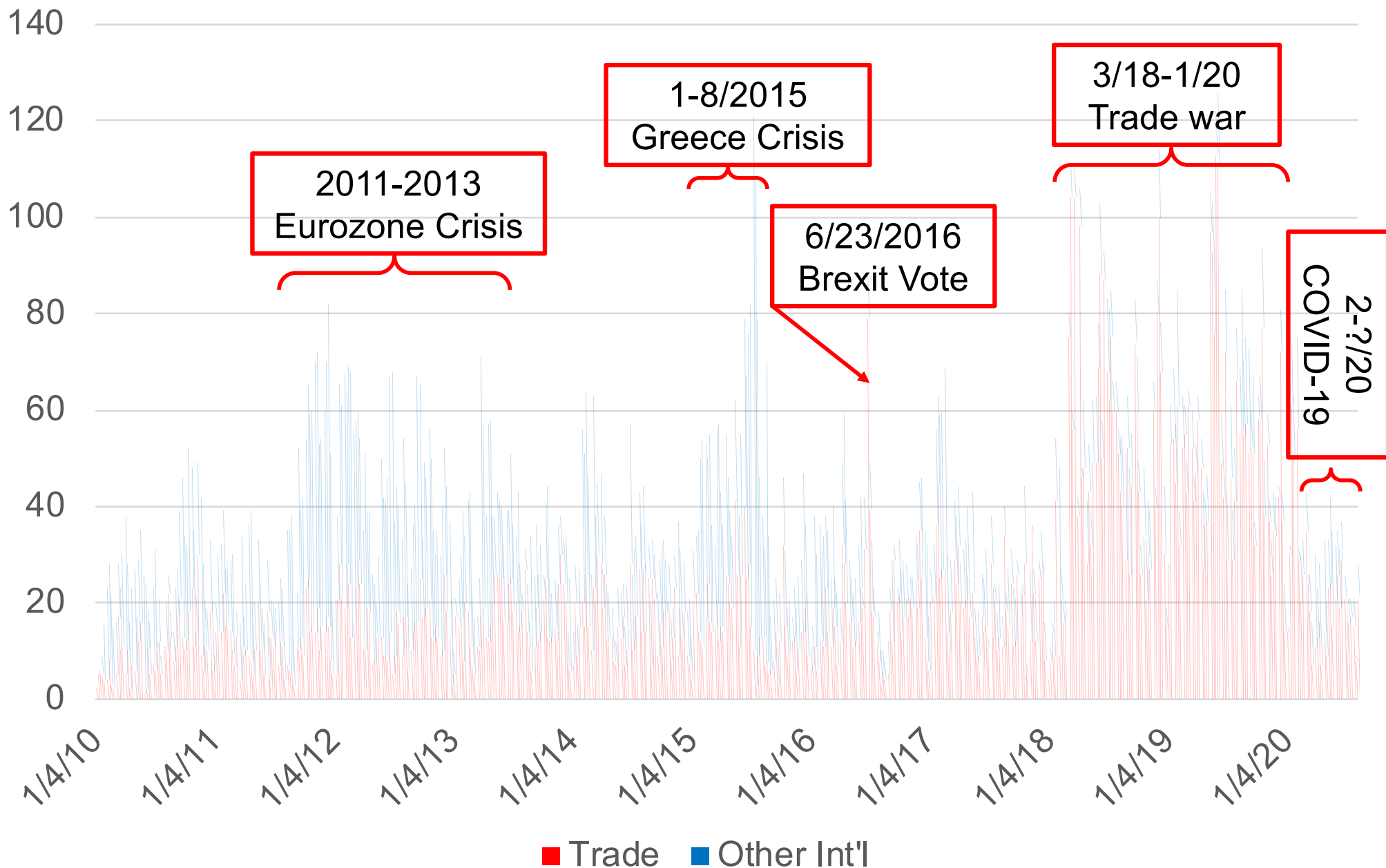
Links to Trade News

FEEDBACK

([Click here for other International Economic News](#))

Date	Topic	Author	Title	Public Source
Aug 31, 2020	TikTok	Wells & Lombardo	"TikTok Deal Talks Are Slowed Over New China Rules"	WSJ
Aug 31, 2020	China export restrictions	Yang & McMorrow	"What China's new export rules mean for TikTok's US sale"	FT
Aug 31, 2020	US import of Chinese drone parts	Stacey	"Trump ban on Chinese drone parts risks worsening wildfires"	FT
Aug 30, 2020	China export restrictions	Mozur et al.	"TikTok Deal Is Complicated by New Rules From China Over Tech Exports"	NYT
Aug 30, 2020	China export restrictions	Hale & McMorrow	"China export restrictions pose new risk for TikTok sale in US"	FT
Aug 29, 2020	EU Trade Commissioner	Economist	"Exit bruiser: Phil Hogan, Europe's trade commissioner, resigns"	Economist
Aug 29, 2020	Taiwan US meat imports	Wong	"Taiwan to Ease Limits on American Pork and Beef, Smoothing Path for Trade Deals"	WSJ

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



Pause for Discussion

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, 2017 est. [most recent!])
 - World exports: \$17.31 trillion
(compare world GDP of \$80 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!

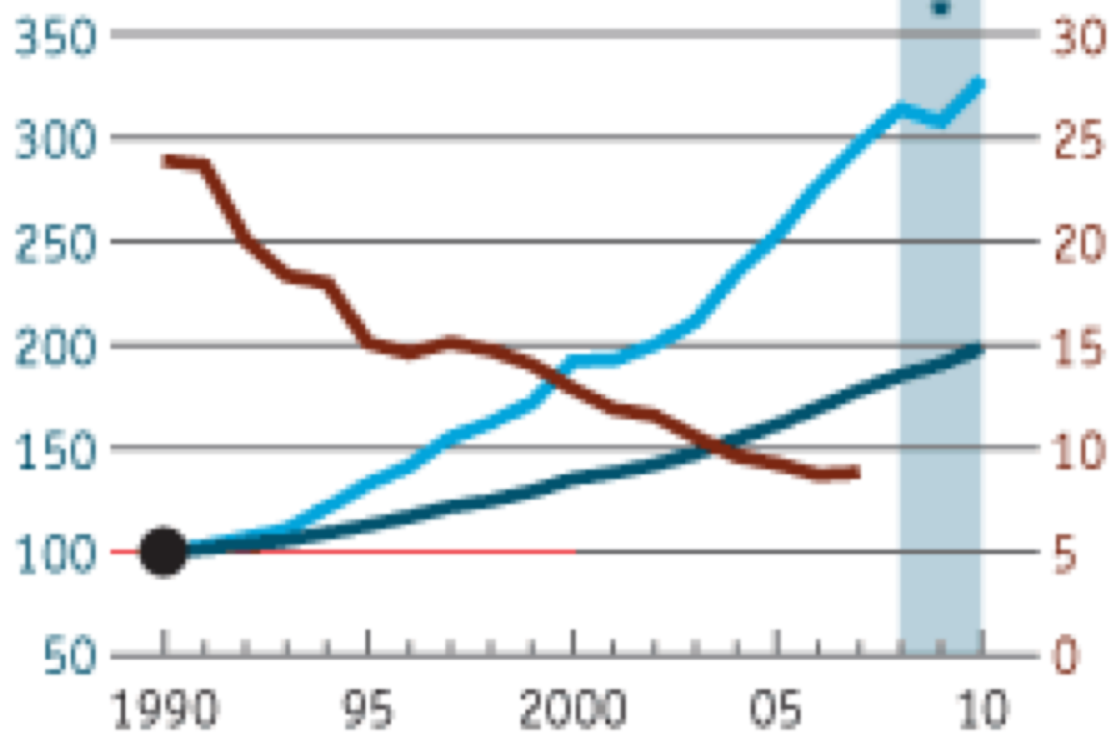
Golden years

Indices, 1990=100:

— world trade volume

— world GDP

Average tariff applied, %

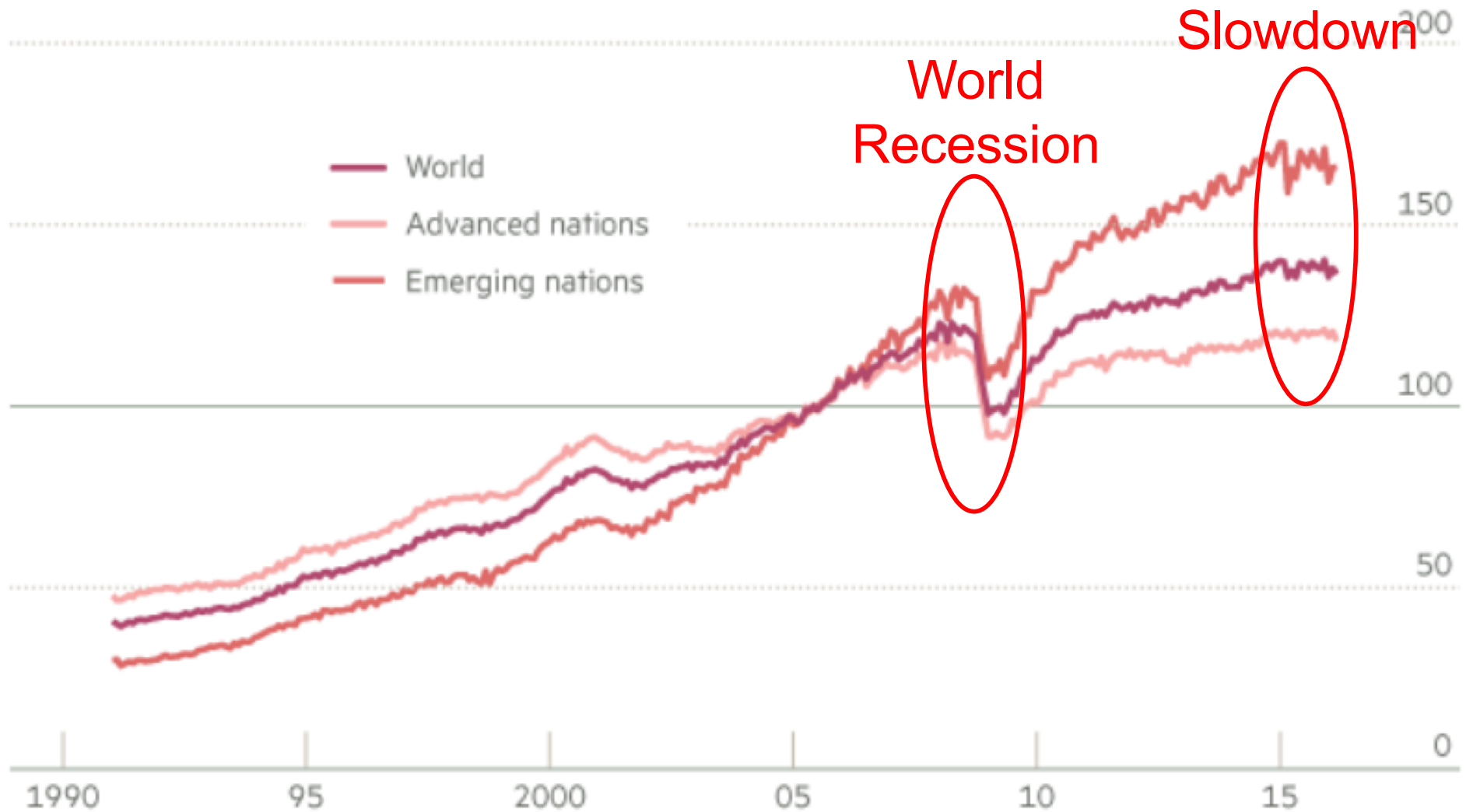


Sources: World Bank; IMF

*Forecast

World trade plateaued around the start of 2015

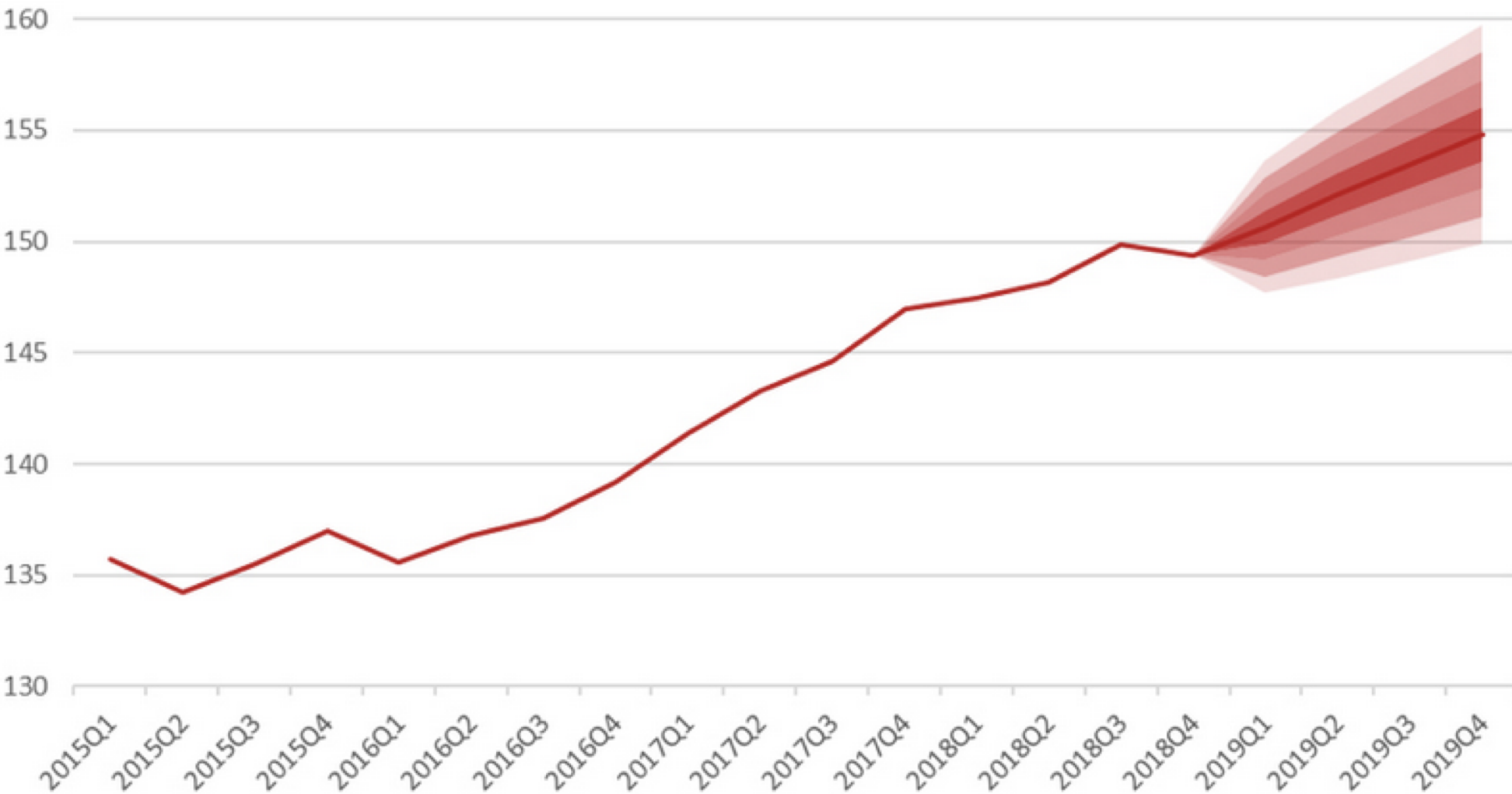
Export volume index (2005=100)



Source: Centre for Economic Policy Research

Chart 2: Volume of world merchandise trade, 2015Q1-2019Q4

Seasonally-adjusted volume index, 2005=100

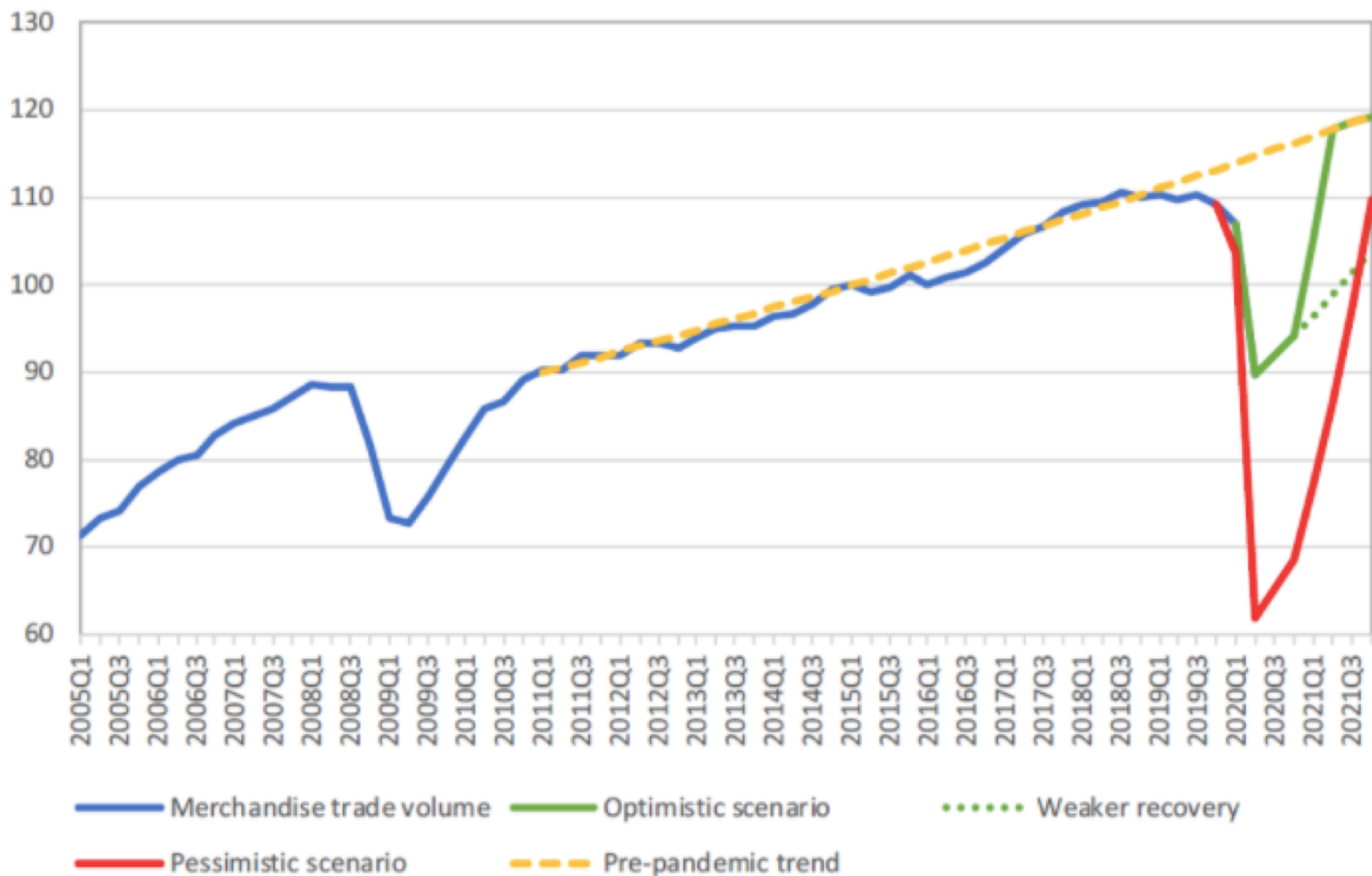


Screenshot

Source: WTO and UNCTAD, WTO Secretariat estimates.

Chart 1: World merchandise trade volume, 2005Q1–2021Q4

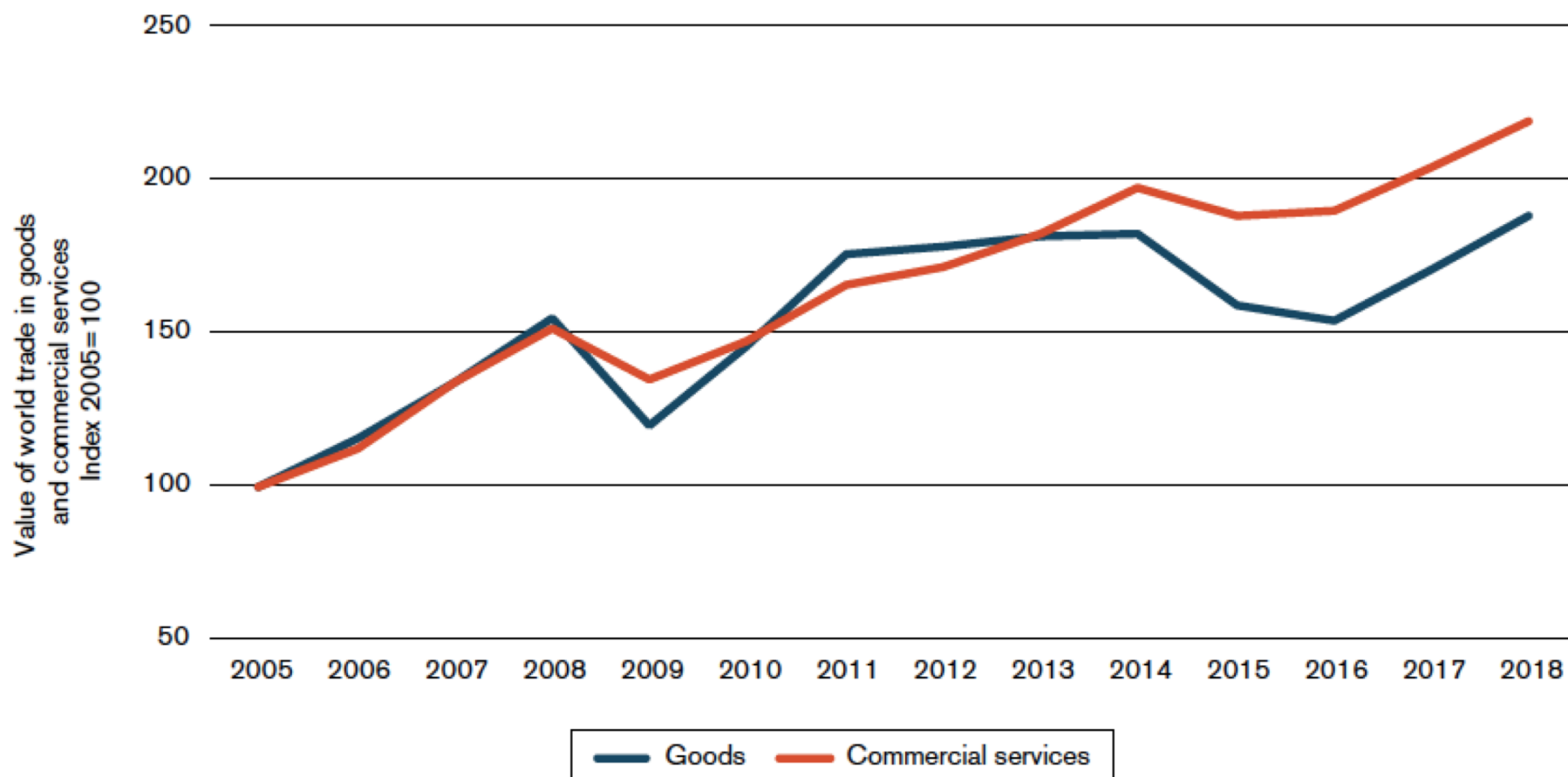
(Index, 2015=100)



Source: WTO/UNCTAD and WTO Secretariat estimates.

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

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, 2018)

Exporters			Importers		
	Value	Share		Value	Share
China	2487	12.8	US	2614	13.2
US	1664	8.5	China	2136	10.8
Germany	1561	8.0	Germany	1286	6.5
Japan	738	3.8	Japan	749	3.8
Netherlands	723	3.7	UK	674	3.4
World	19,475	100.0	World	19,867	100.0

Source: WTO, World Trade Statistical Review, 2019, Table A6

(2020 not yet available 8/5/20)

Who Trades the Most?

(Excluding intra-EU-28)

(\$ b. & % share, 2018)

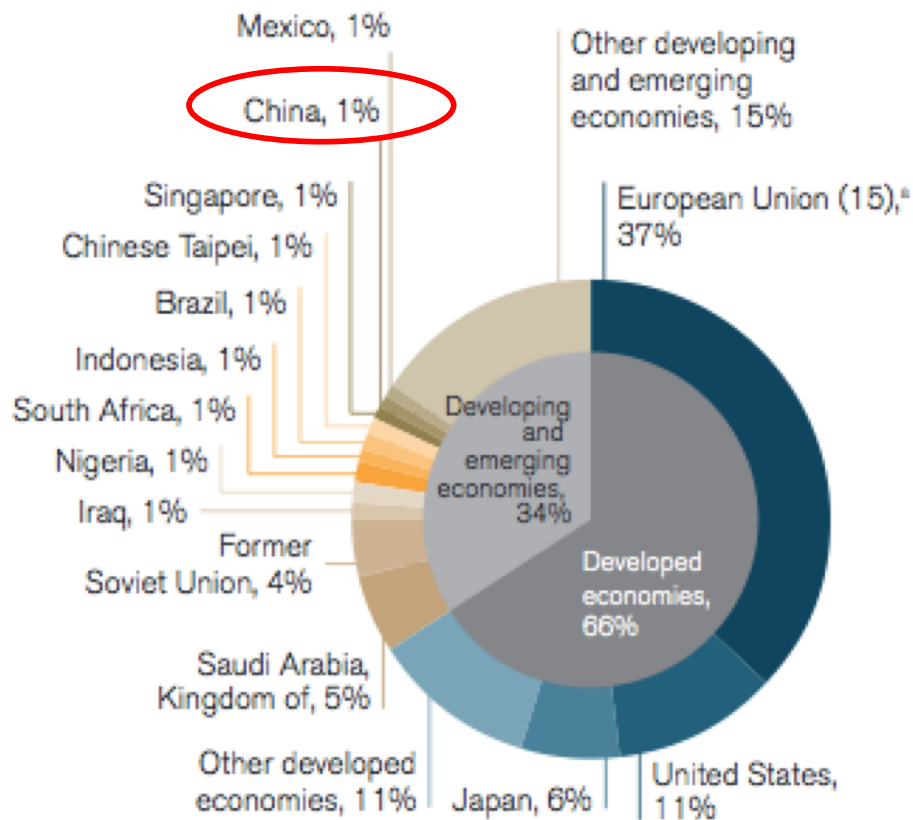
Exporters			Importers		
	Value	Share		Value	Share
China	2487	16.2	US	2614	16.6
EU-28*	2309	15.1	EU-28*	2337	14.9
US	1664	10.9	China	2136	13.6
Japan	738	4.8	Japan	749	4.8
Korea, S.	605	3.9	Hng Kng	628	4.0
World	15,319	100.0	World	15,710	100.0

*EU external only

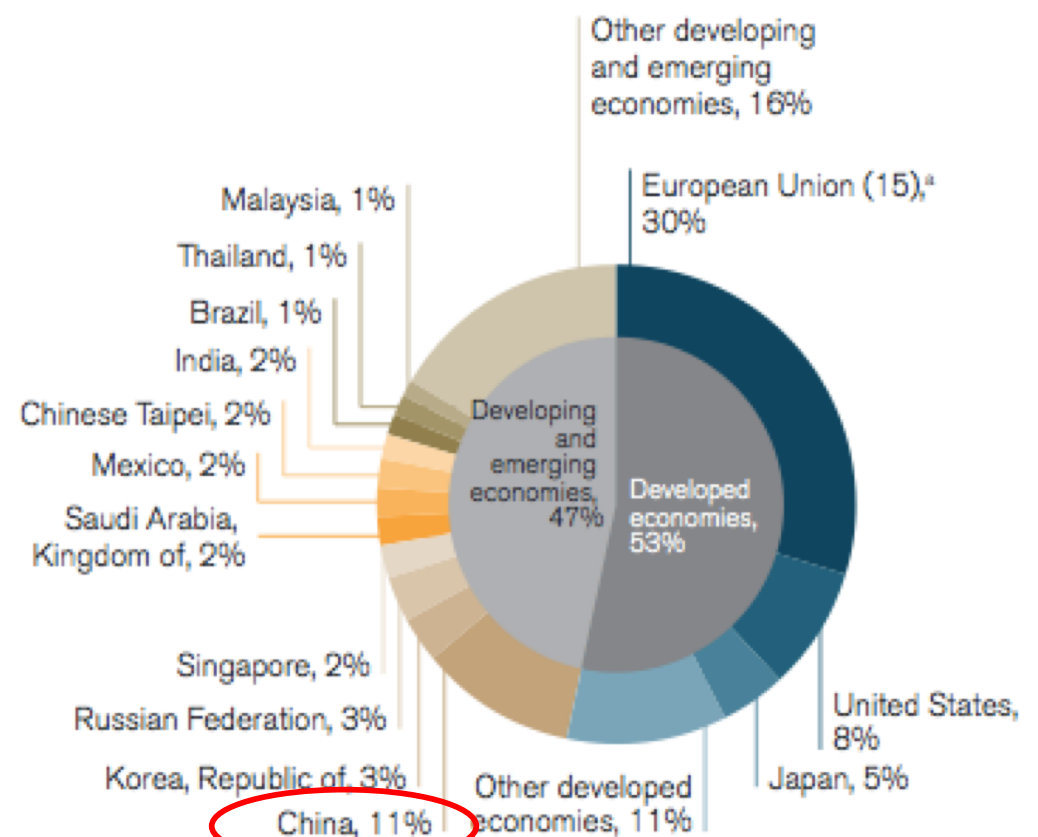
Source: WTO, World Trade Statistical Review, 2019, Table A7

Figure B.5: Shares of selected economies in world merchandise exports by level of development, 1980-2011 (percentage)

1980



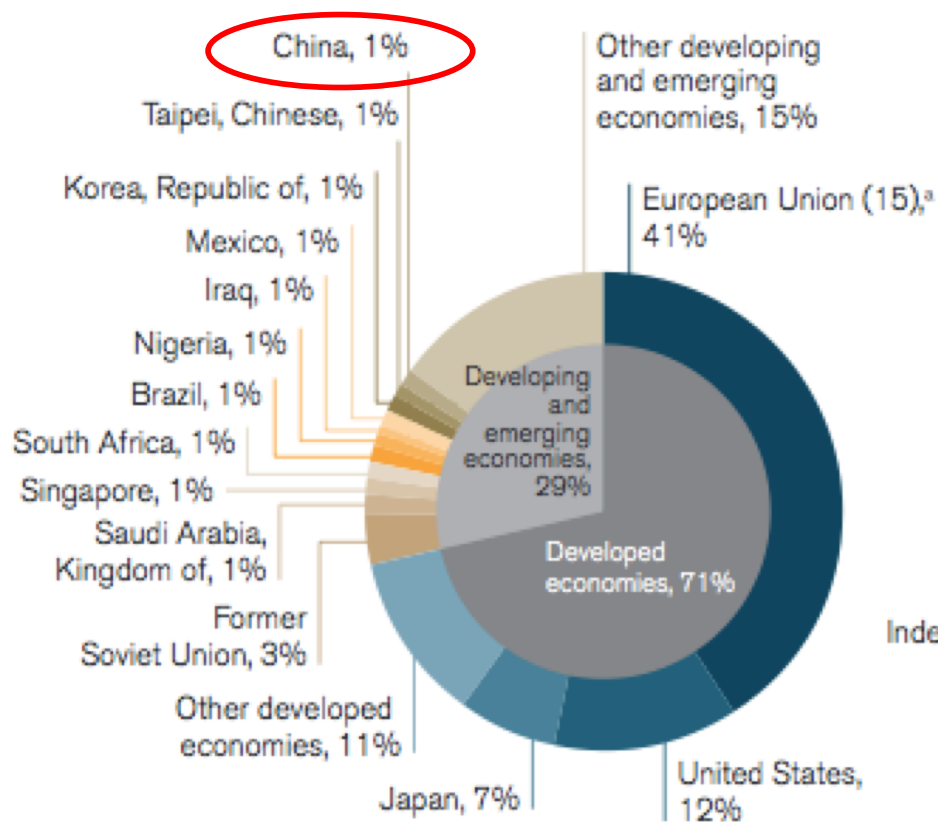
2011



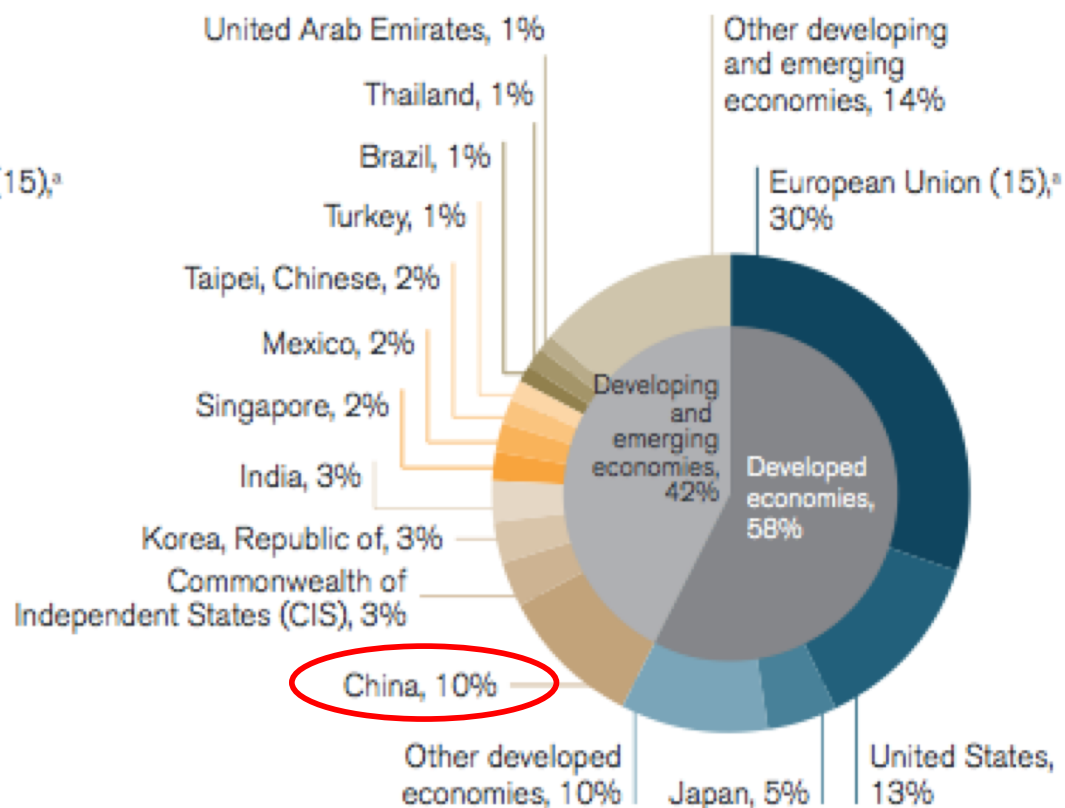
^a Includes intra-EU trade.
Source: WTO Secretariat.

Figure B.6: Shares of selected economies in world merchandise imports by level of development, 1980-2011 (percentage)

1980



2011



^a Includes intra-EU trade.
Source: WTO Secretariat.

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

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

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	-	-

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

**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

Importance of Trade for Countries?

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

	Exports	Exports/GDP
United States	1553.0	8%
Japan	688.9	
Germany	1434.0	
Canada	423.5	
India	304.1	
Mexico	409.8	
Netherlands	555.6	
Singapore	396.8	
Philippines	48.2	
Nepal	0.8	

Source: CIA World Fact Book

Importance of Trade for Countries?

A Few More of Interest

	GDP	Exports/GDP
China	2216.0	18%
Hong Kong	537.8	
Korea, South	577.4	
Korea, North (2013)	3.0	
Burma	9.8	
Syria	1.7	
Israel	58.7	

Source: CIA World Fact Book

Who Trades with Whom?

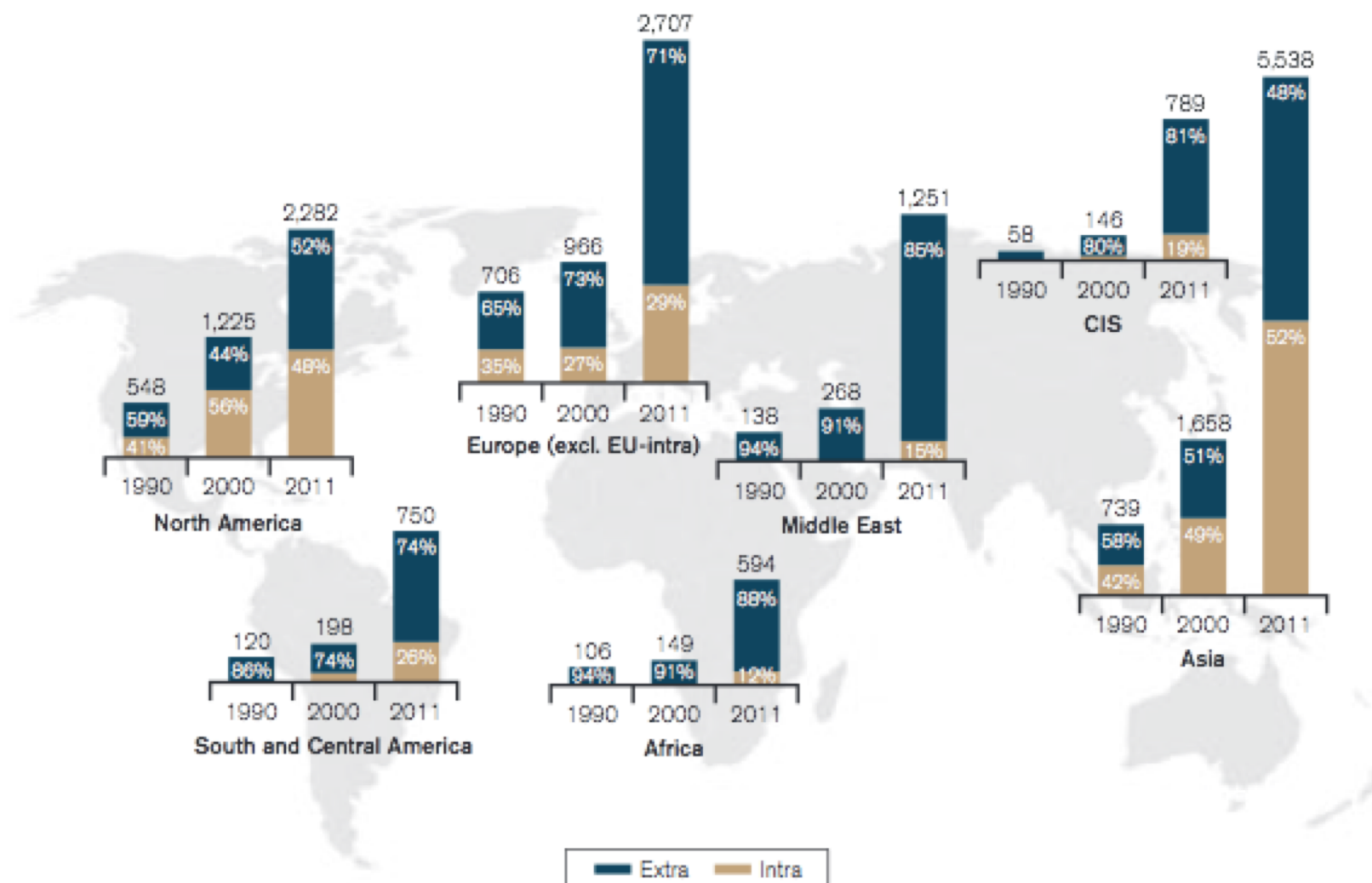
(\$ b., 2014, Intra- and inter-regional merchandise trade)

	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.

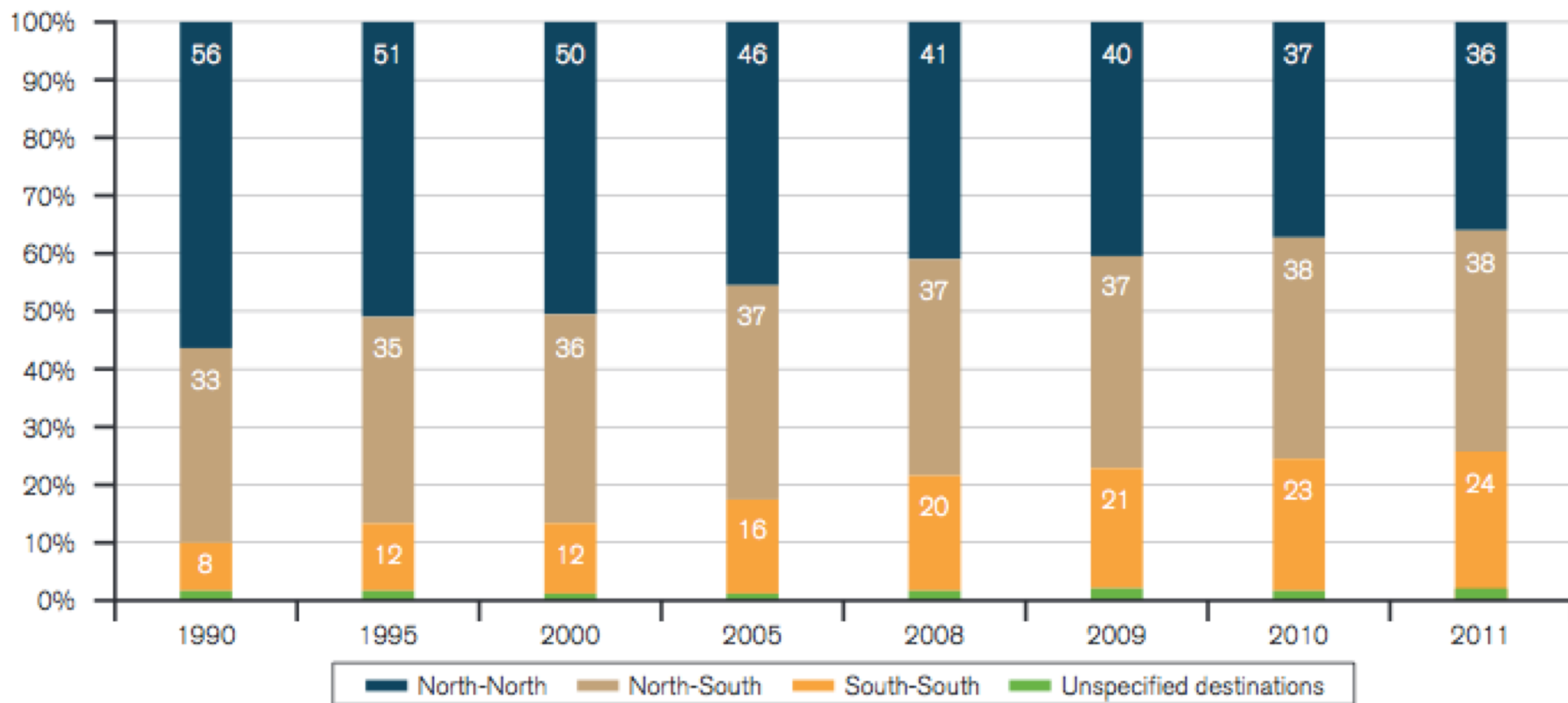
Note: Graphs for regions are not shown to scale. Colours and boundaries do not imply any judgement on the part of the WTO as to the legal status of any frontier or territory.

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

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.

Pause for Discussion

What Does the World Trade?

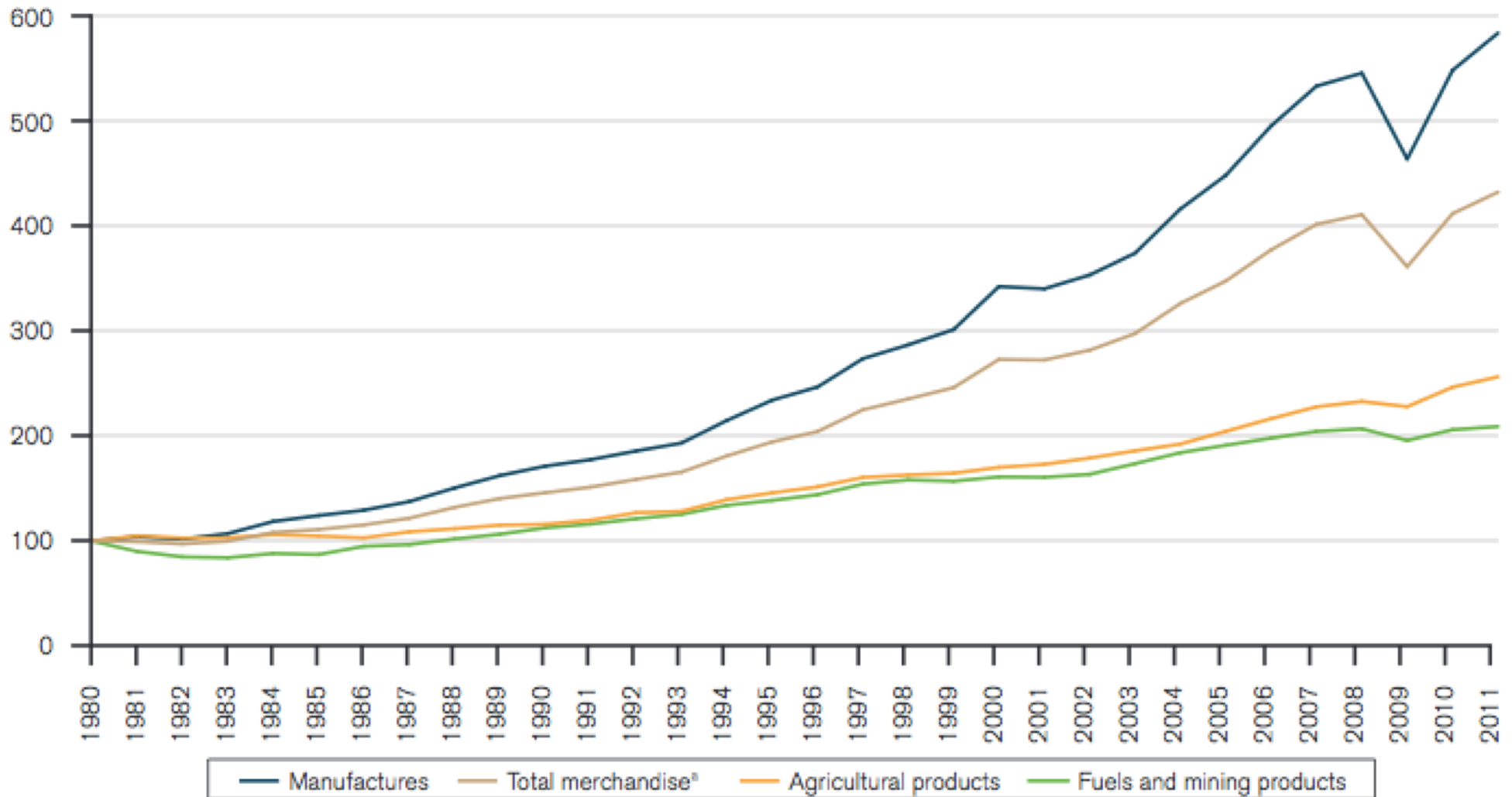
(\$ b. 2014 merchandise exports)

	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)

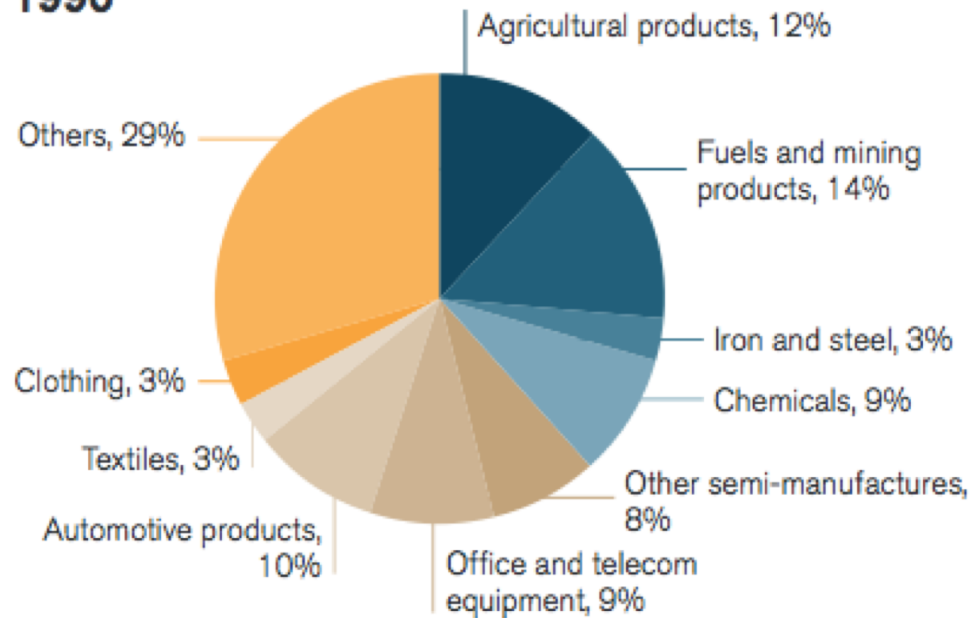


^a Includes unspecified products.

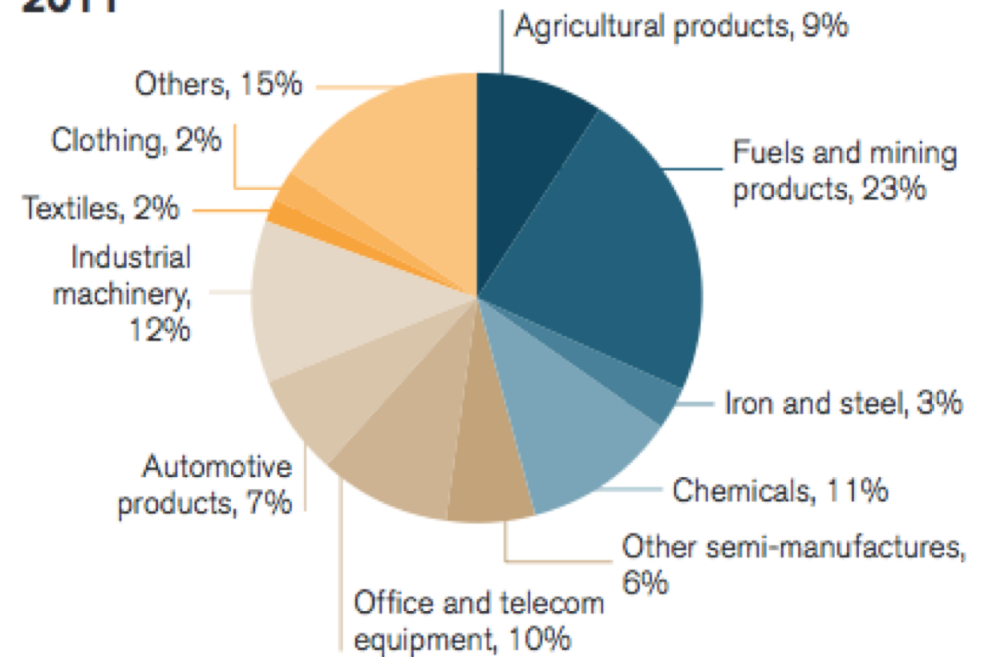
Source: WTO Secretariat.

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

1990



2011



Source: WTO Secretariat.

~~Did~~ (Not available since 2011)

What Does the US Trade?

(\$ b. 2011)

	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.

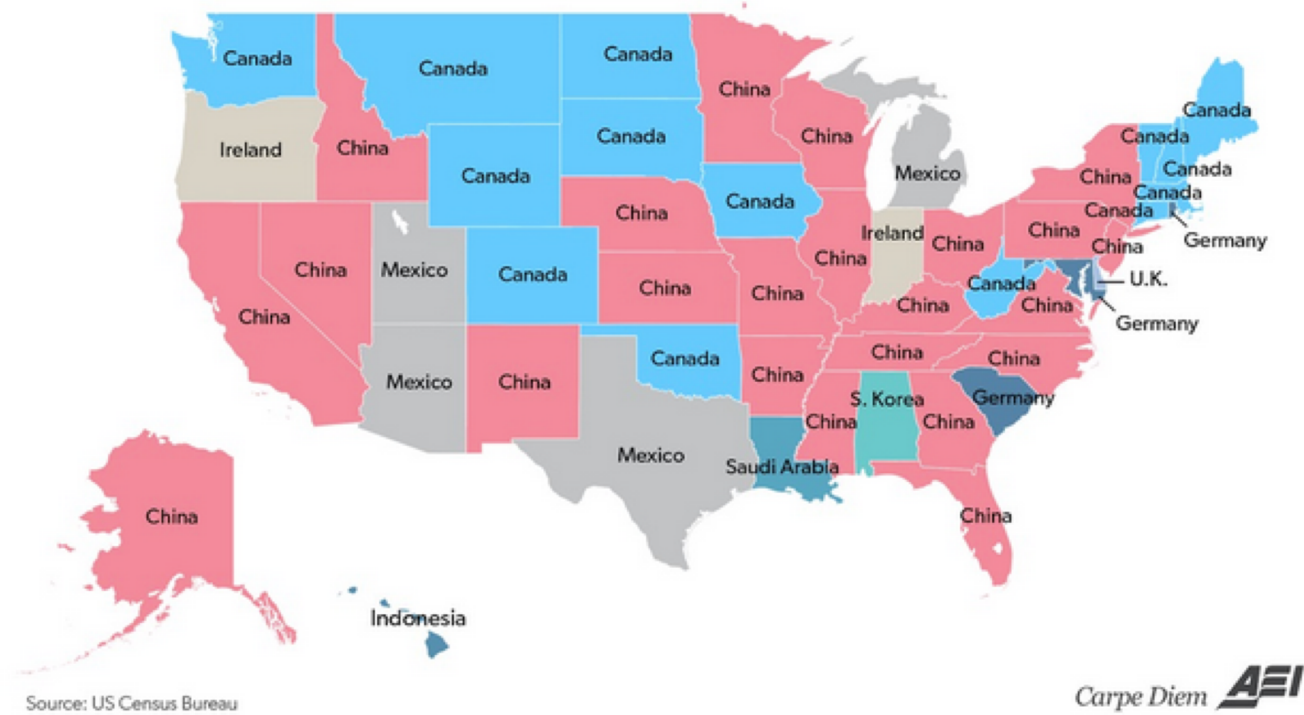
What Does the US Trade?

- US imports are much larger than US exports
- US is a big...
 - Exporter of agricultural products
 - Importer of oil (but that's been falling)
 - Exporter and importer of capital goods (i.e., machines for making things)

Trade of US States

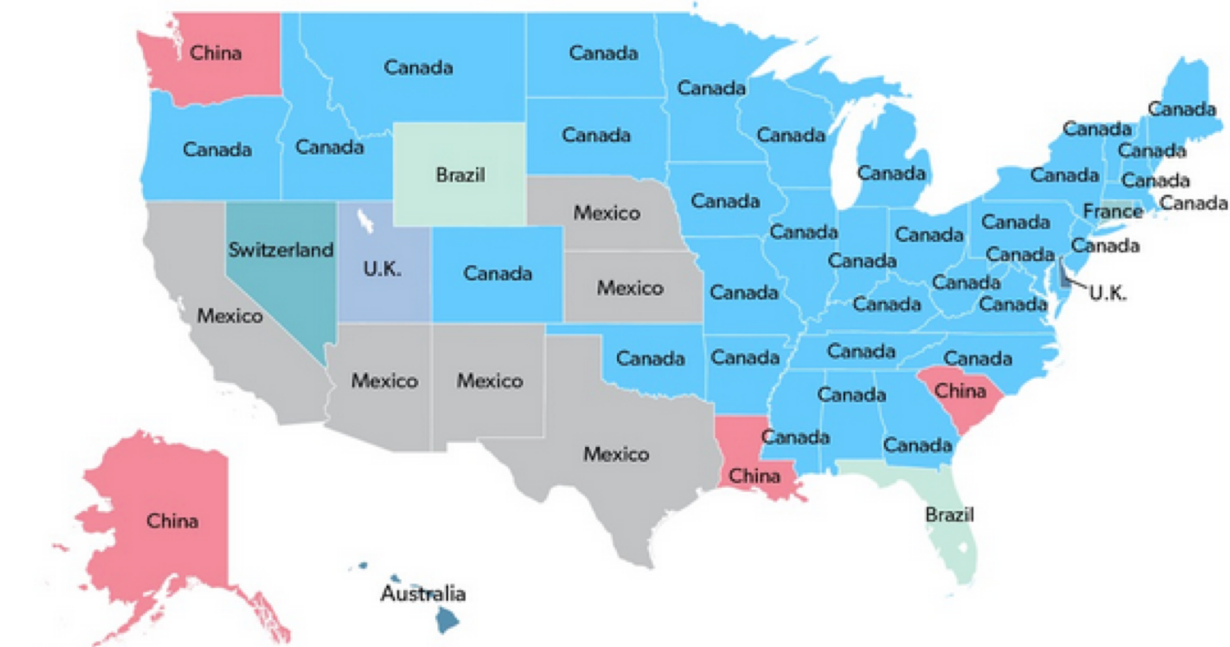
- US states differ substantially in the importance of international trade to them

Top Import Country for Each U.S. State (2016)



Source: Perry and Balliou (2017)

Top Export Country for Each U.S. State (2016)

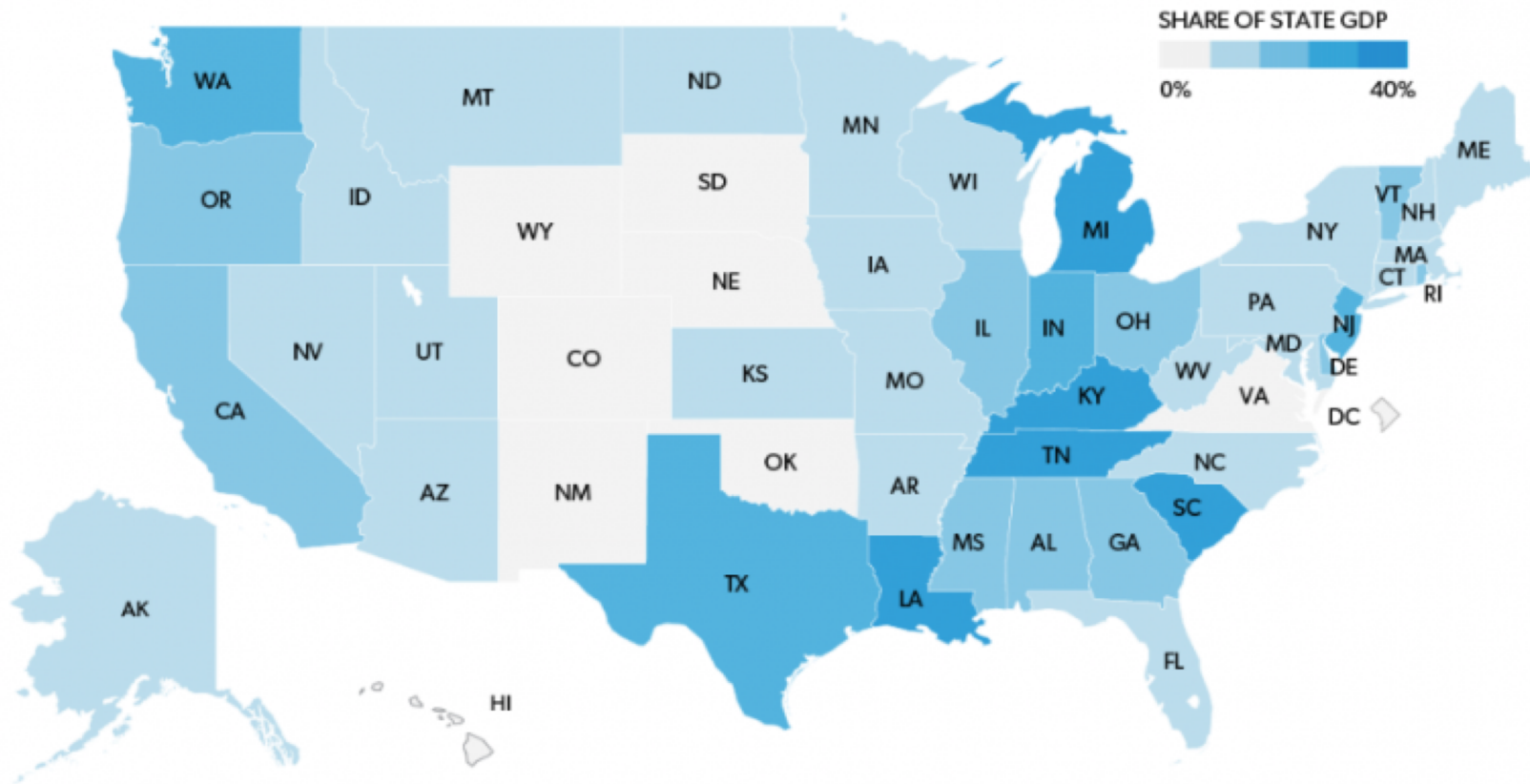


Source: US Census Bureau

Carpe Diem **AEI**

Source: Perry and Balliou (2017)

International Trade as a Share of State GDP (2016)



Source: US Census Bureau

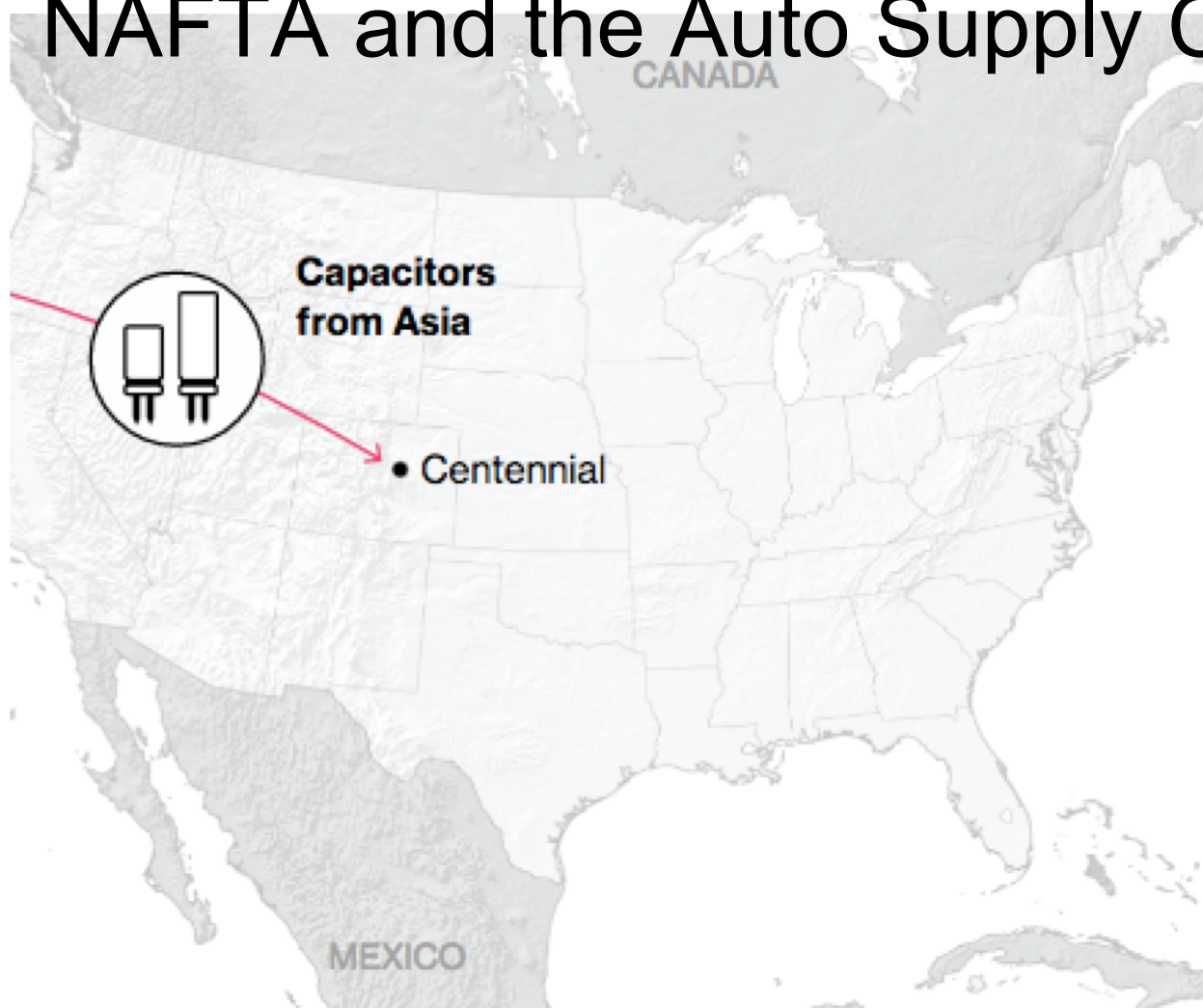
Carpe Diem **AEI**

Source: Perry (2017)

Supply Chains

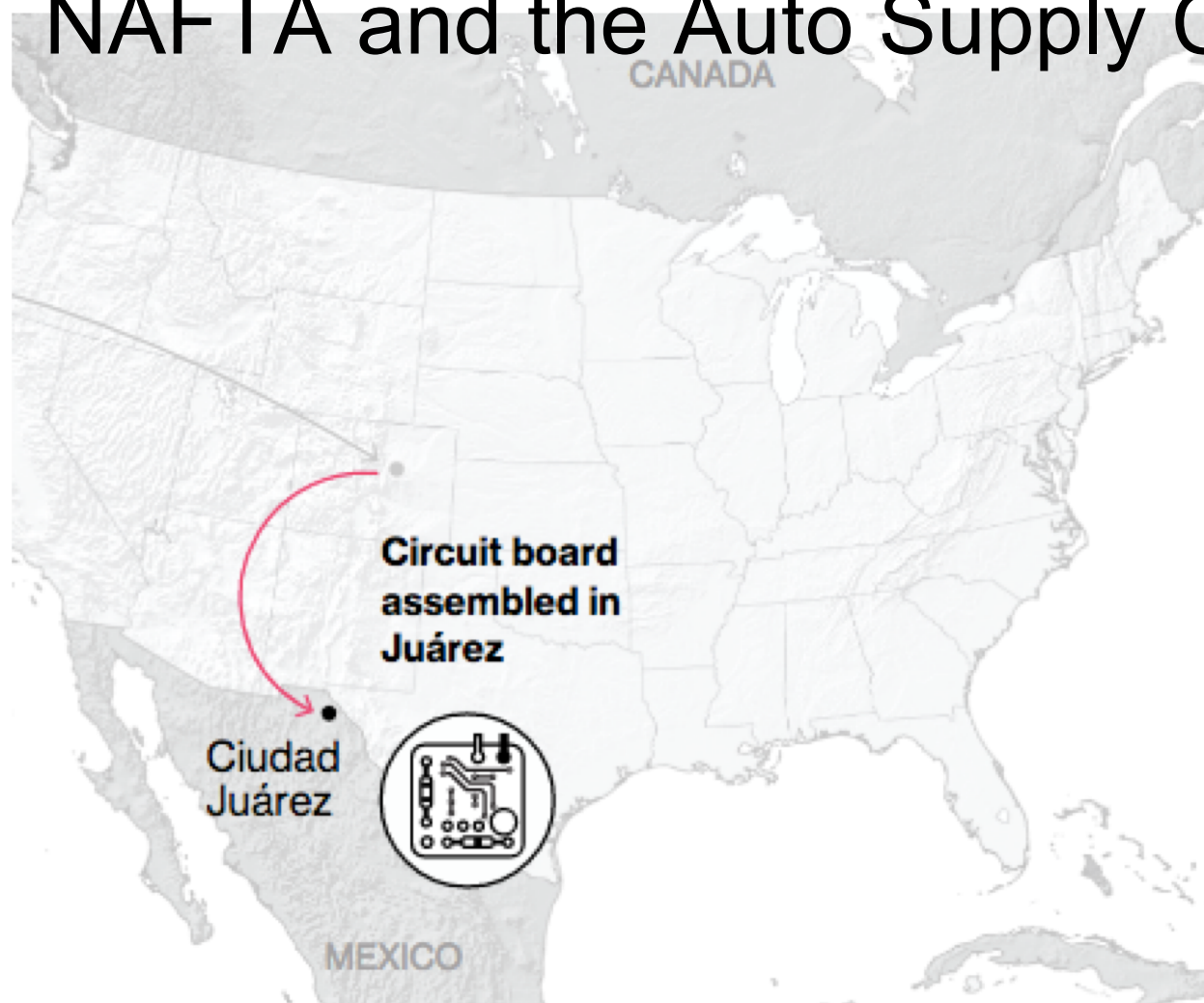
- Much trade today is intermediate inputs.
- Supply chains cross national borders multiple times
- Example from Black et al., “One Tiny Widget’s Dizzying Journey Shows Just How Critical Nafta Has Become”
Bloomberg, Feb 2, 2017

NAFTA and the Auto Supply Chain



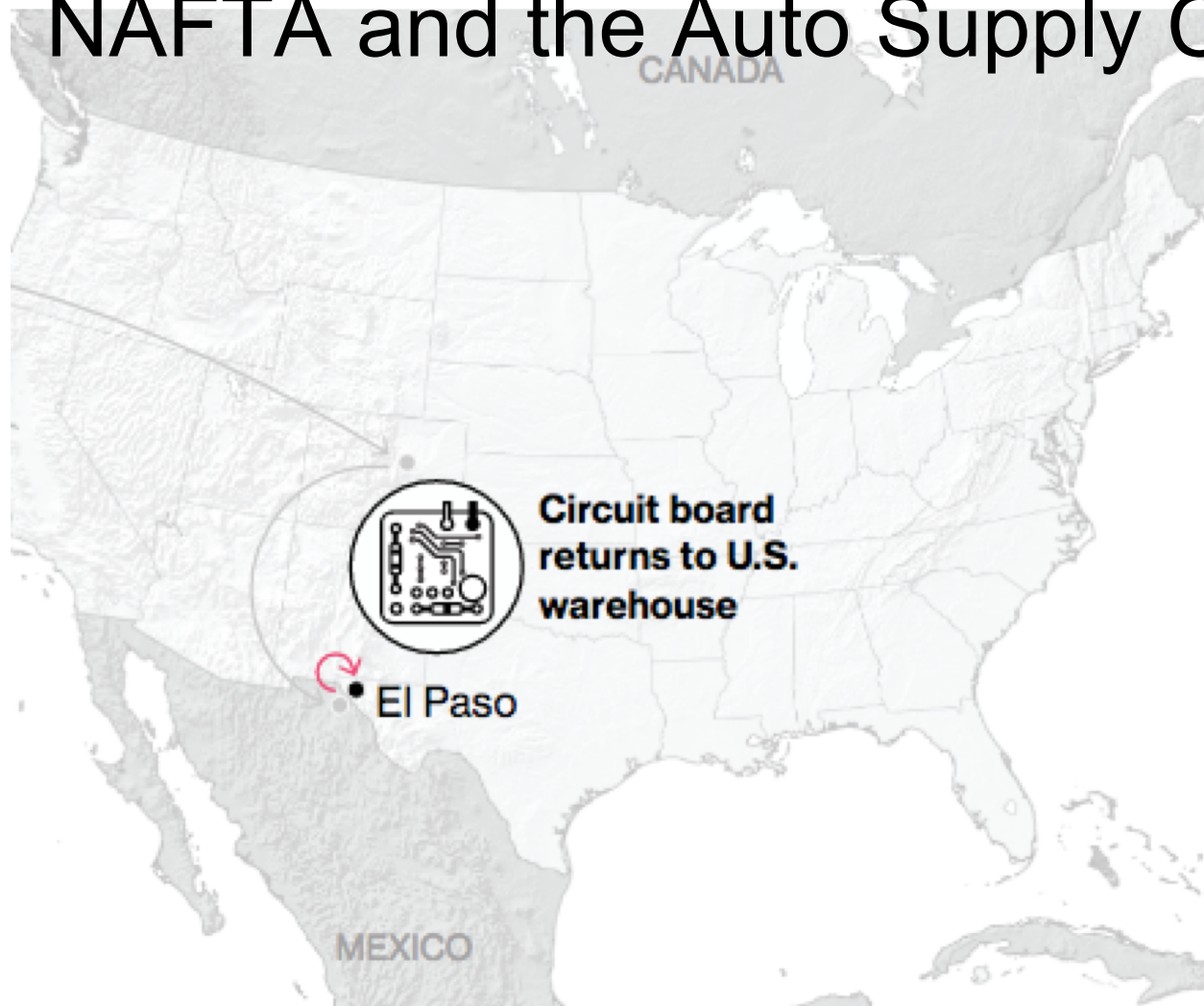
Black, Diamond, and Merrill, "One Tiny Widget's Dazzling Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

NAFTA and the Auto Supply Chain



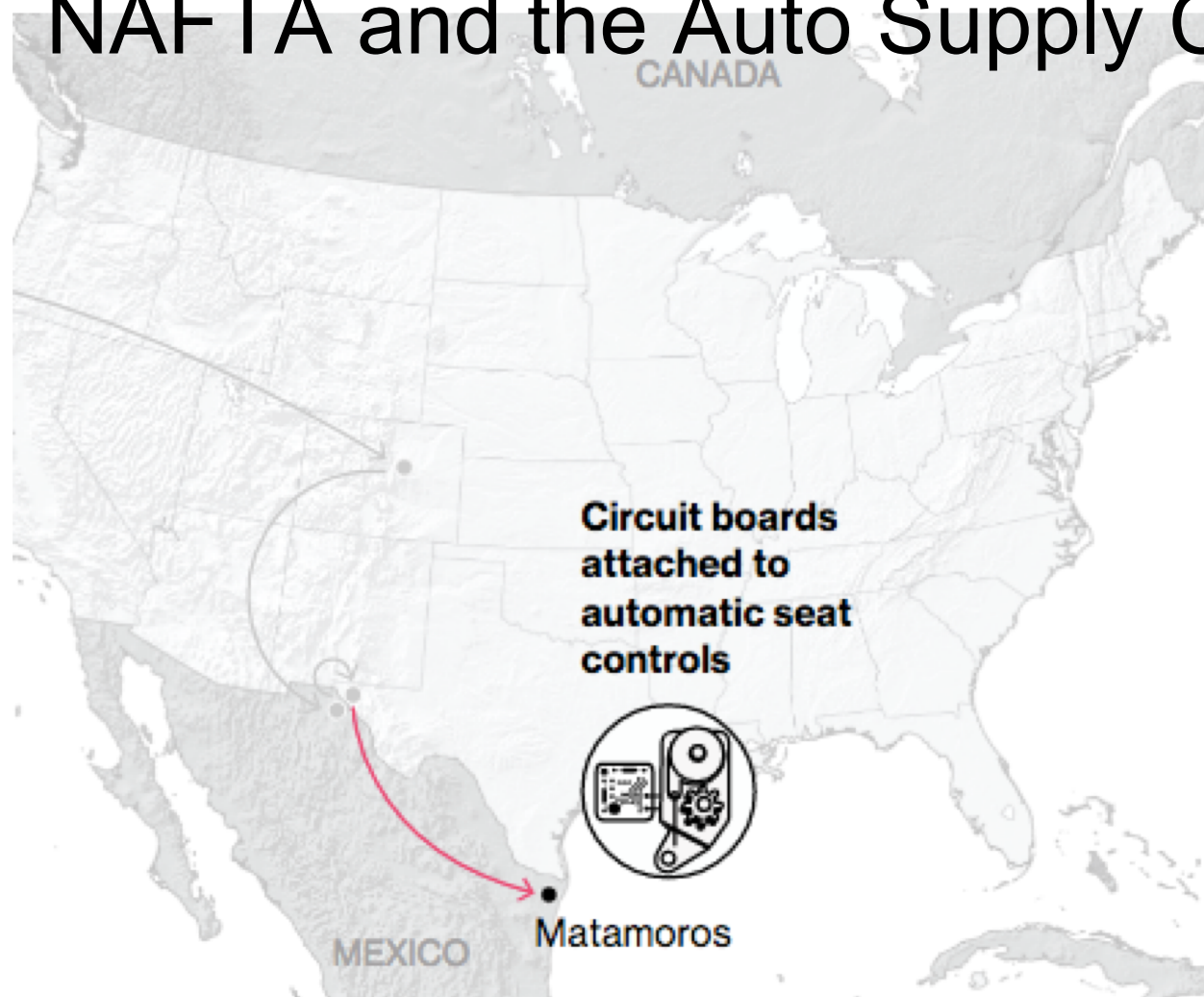
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NAFTA and the Auto Supply Chain



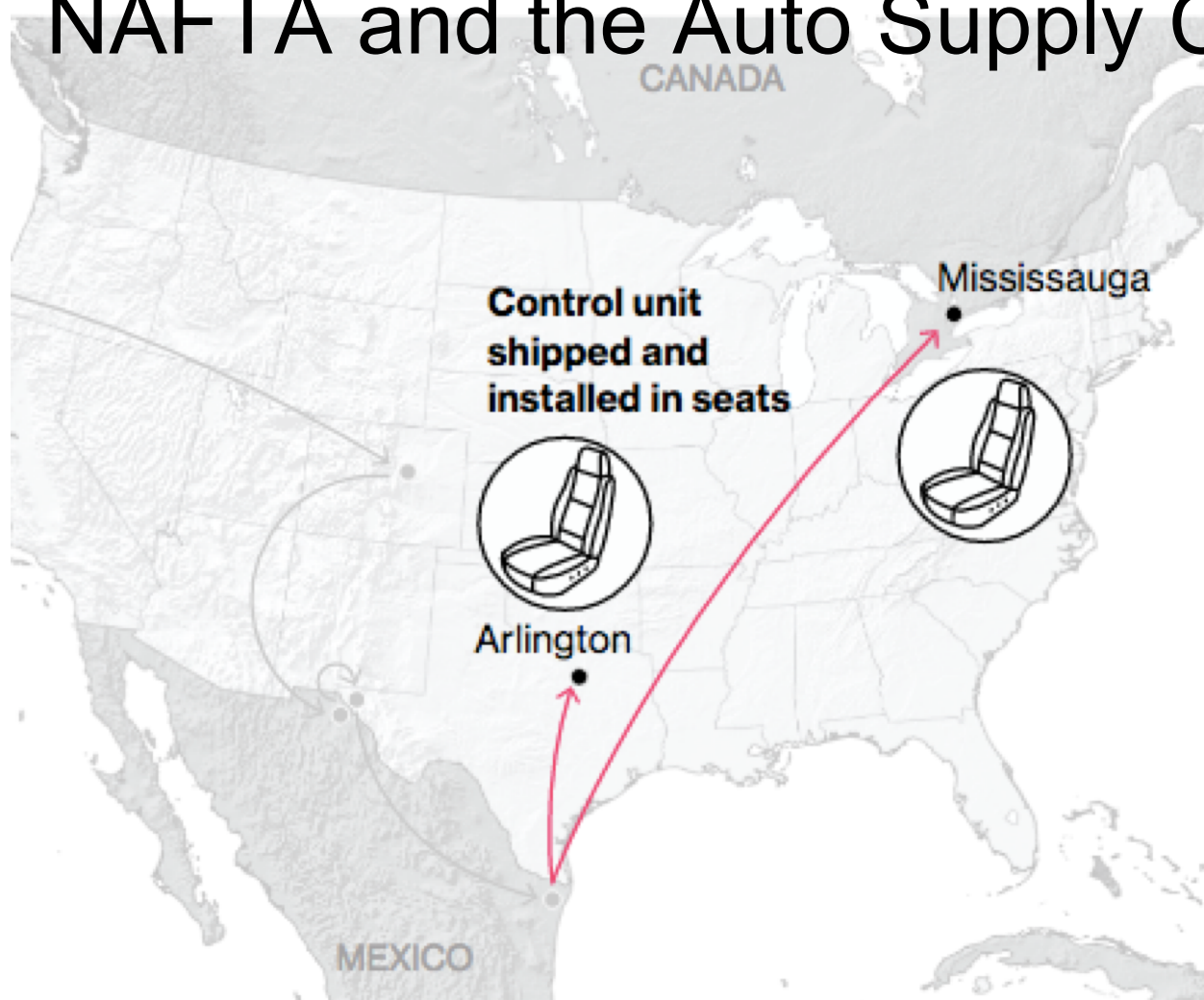
Black, Diamond, and Merrill, "One Tiny Widget's Dazzling Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

NAFTA and the Auto Supply Chain



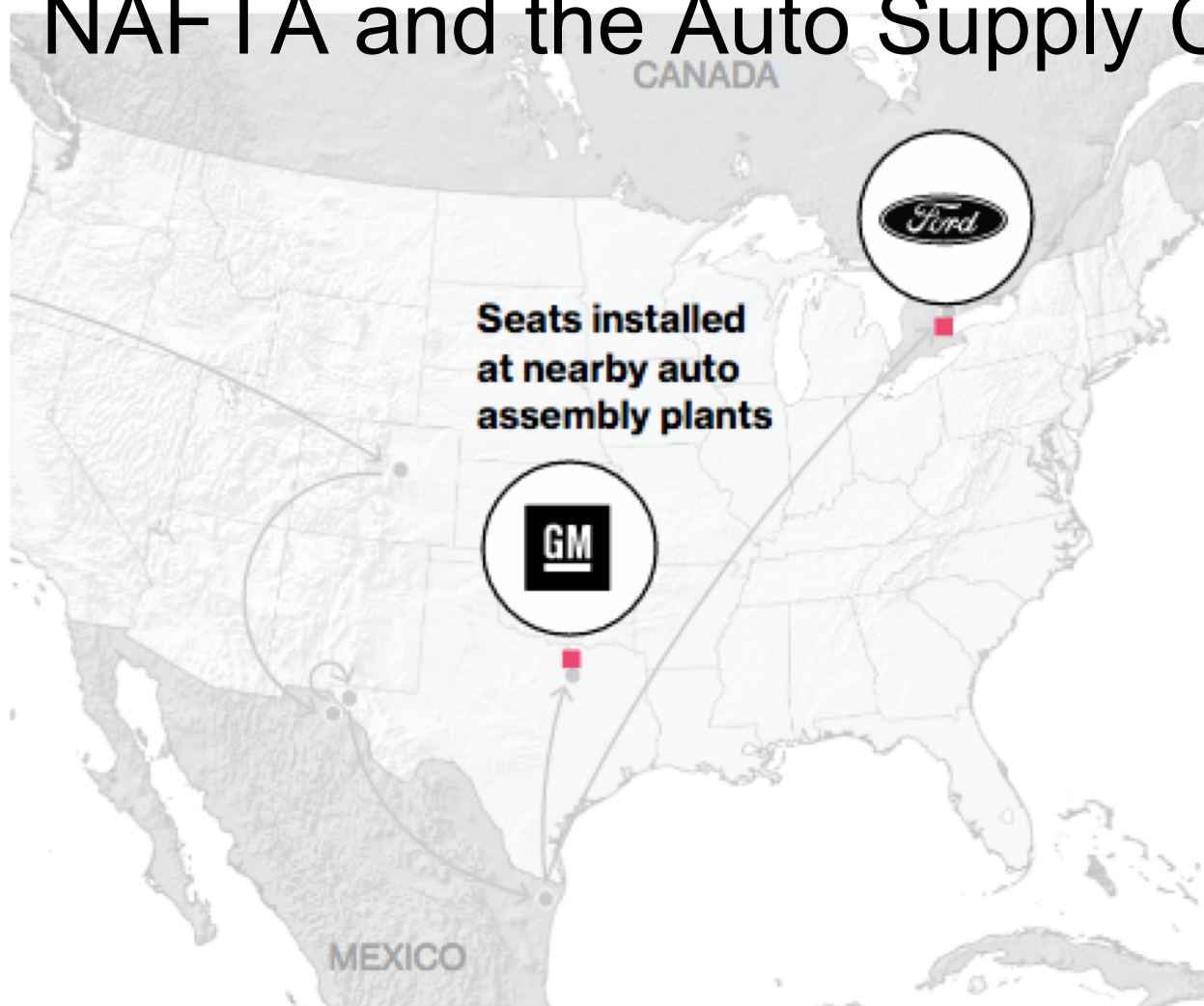
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NAFTA and the Auto Supply Chain



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Pause for Discussion

Outline

- “Globalization”
- Trade
- **Policies that Affect Others**

Ways that countries interact economically

- Policies that affect other countries
 - Direct
 - Indirect

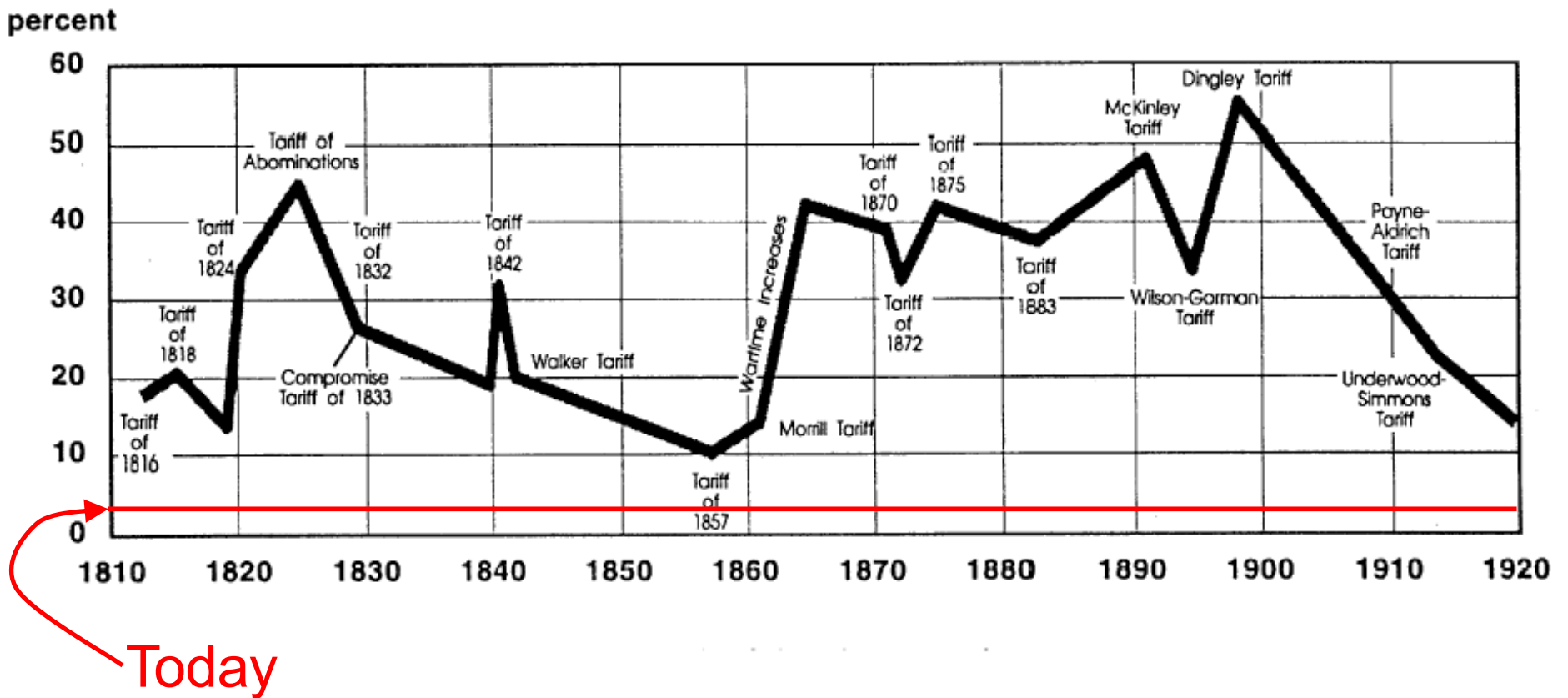
Ways that countries interact economically

- 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)
 - » US farm subsidies > foreign aid
 - Macro policies (monetary, fiscal)
 - » Exchange-rate policies
 - Environmental policies
 - Standards
 - » Labor
 - » Health & safety
 - » Norms

- US tariff history: 1810-1920



- US tariff history: 1865-1960

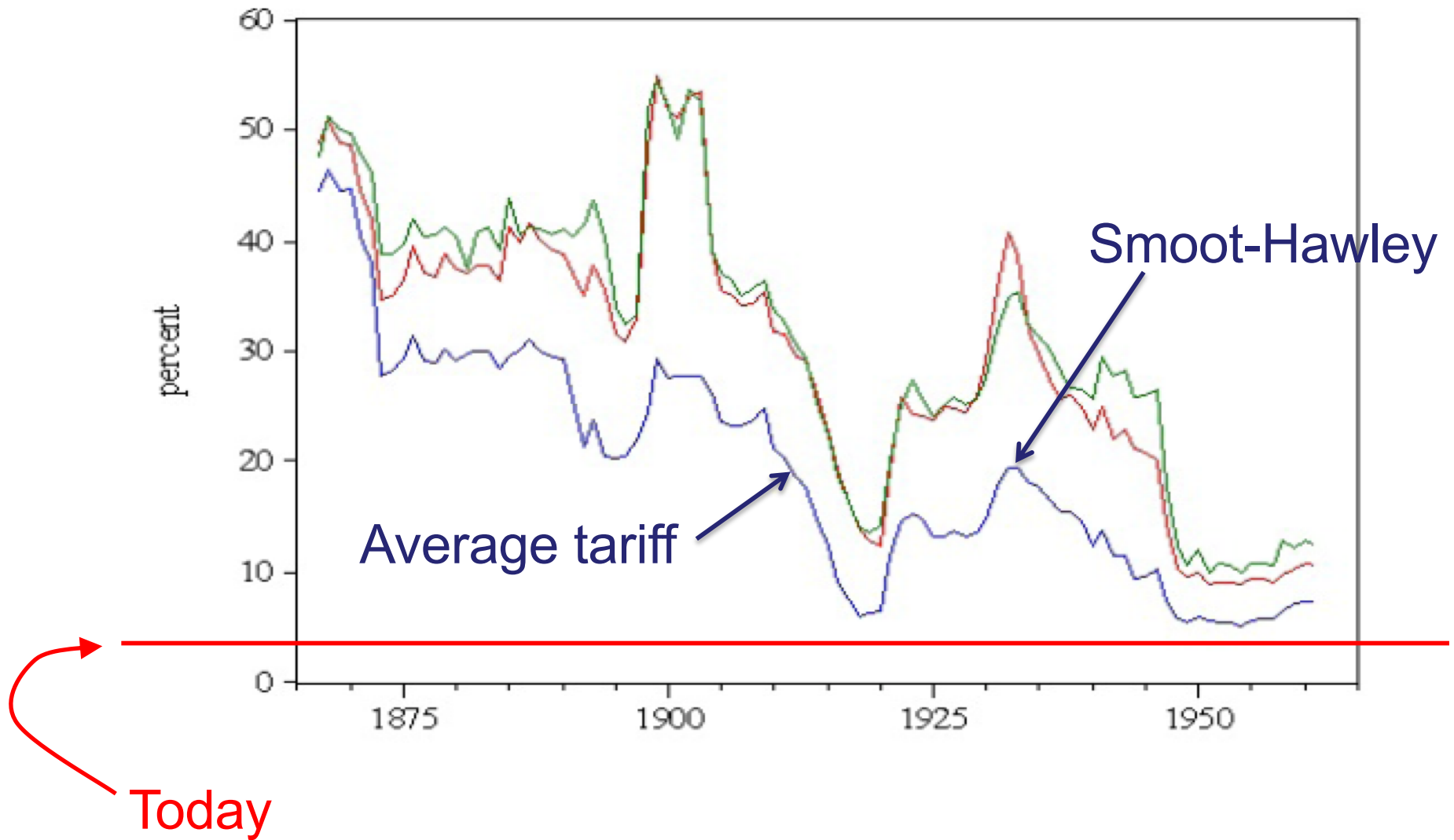
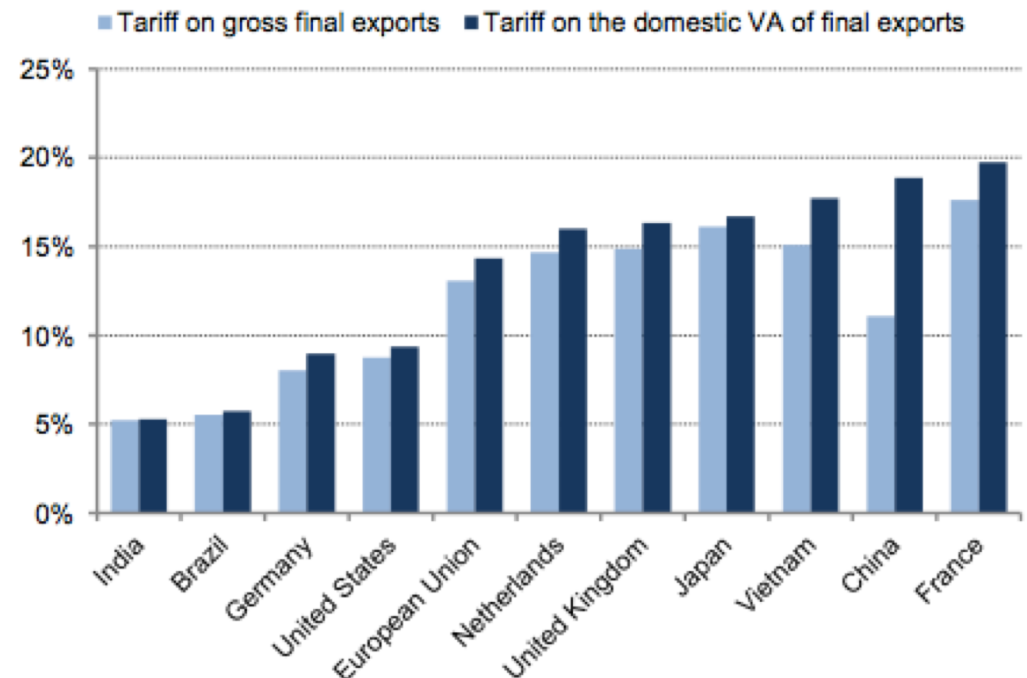
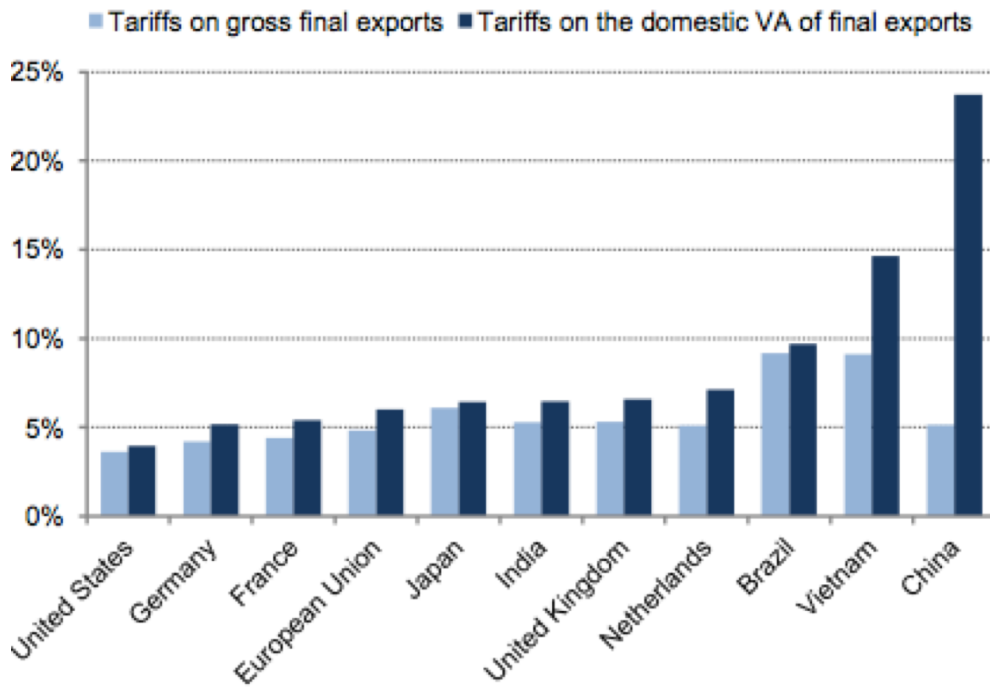


Figure 8. Tariffs on the gross value and the domestic value-added of exports, 2009

Manufacturing

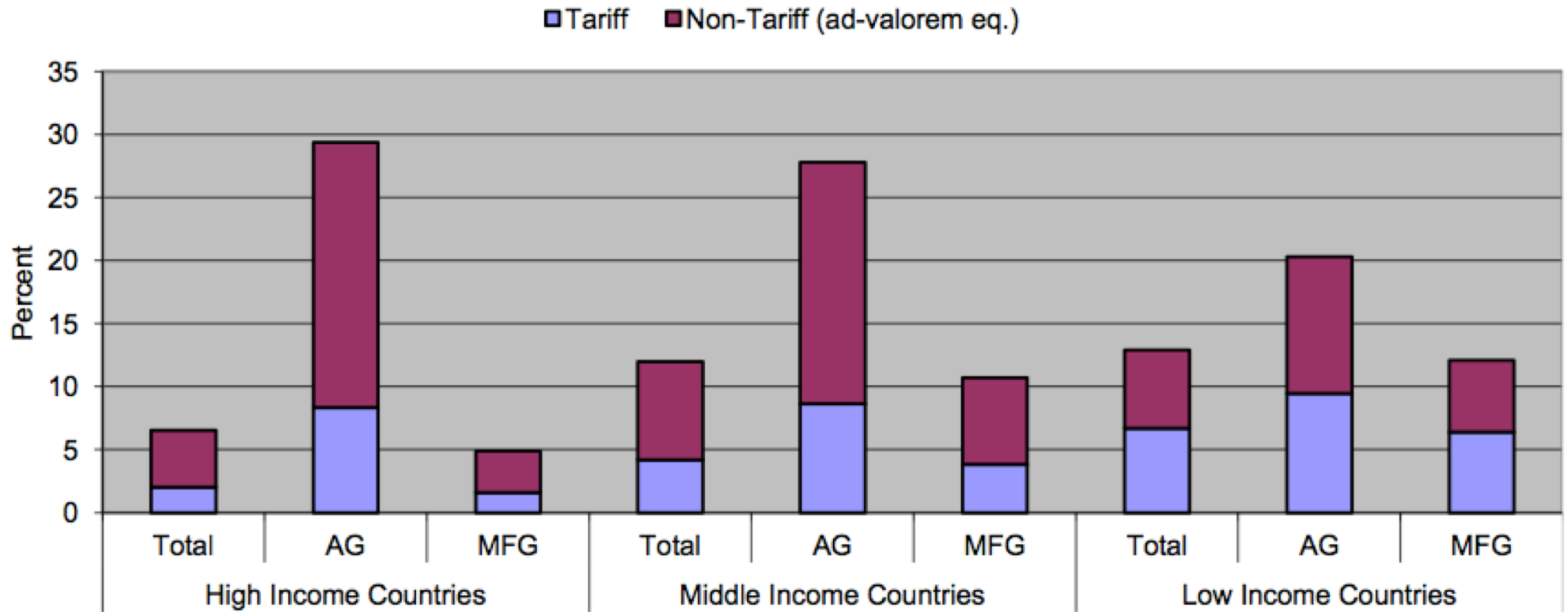
Agriculture



Applied AVE tariffs, weighted by the share of each sector and destination market in the country's agricultural or manufacturing exports. For EU countries, tariffs are calculated on extra-EU exports.

Source: OECD (2013a).

Figure 9. Average level of restrictiveness imposed on imports

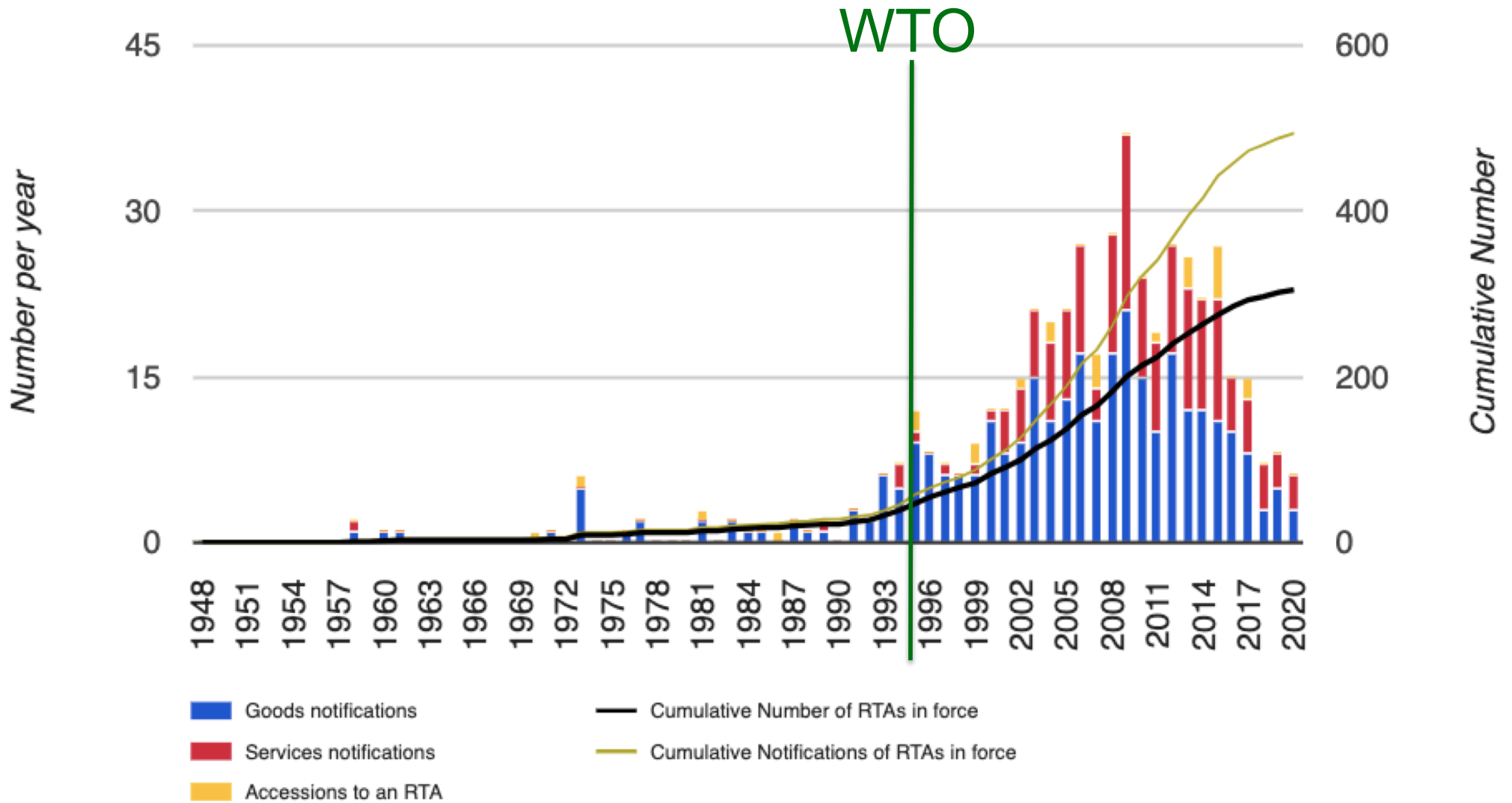


Source: UNCTAD (2013), based on UNCTAD TRAINS/WITS database.

Trade Agreements

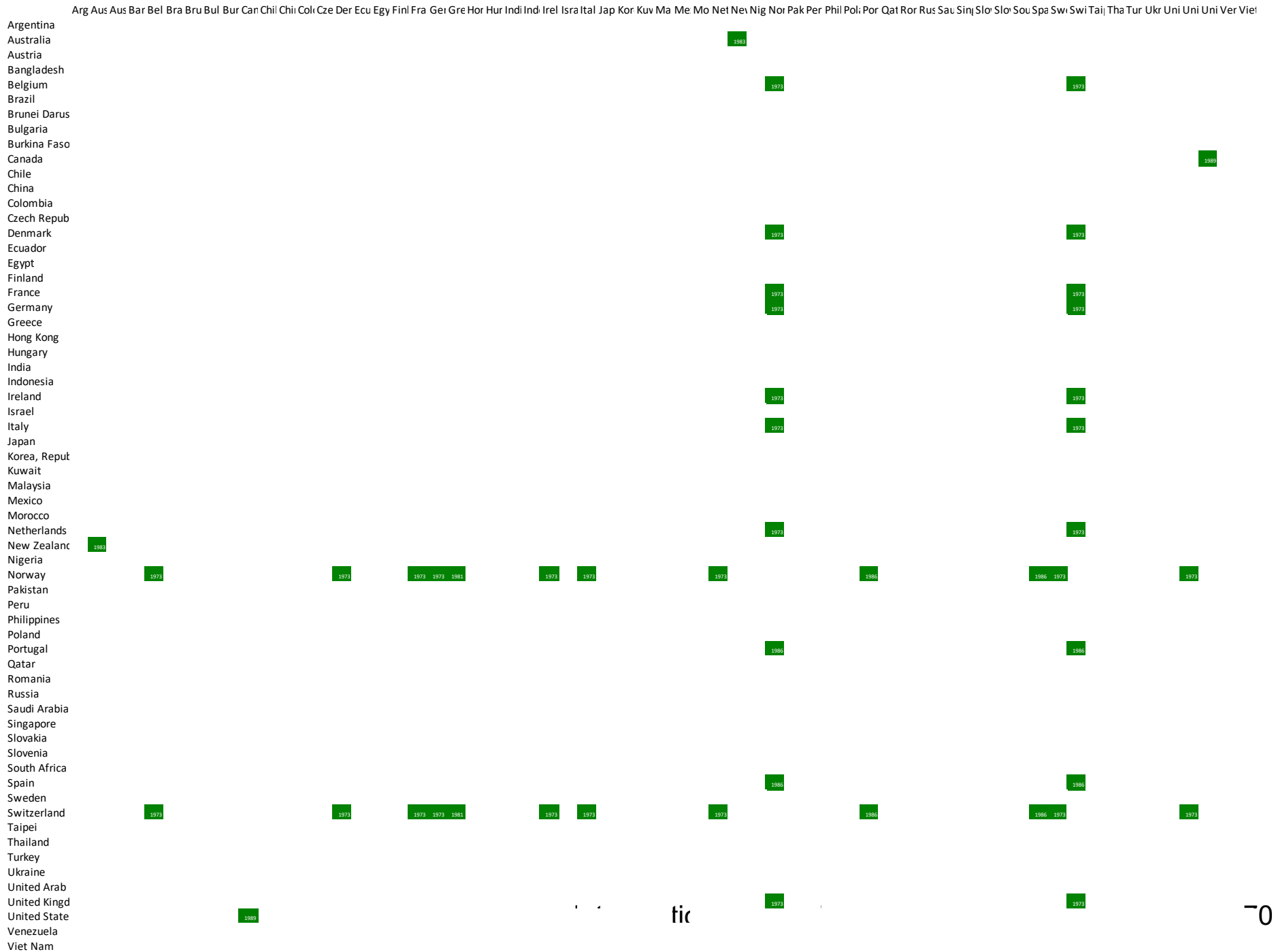
- Past
 - GATT Rounds: Multilateral reductions in tariffs and other barriers
 - Uruguay Round created WTO in 1995
 - European Economic Community (now EU)
 - Customs union
 - NAFTA = North American Free Trade Agreement
 - Free trade among US, Canada, Mexico
 - Other FTAs: Several hundred in force today

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



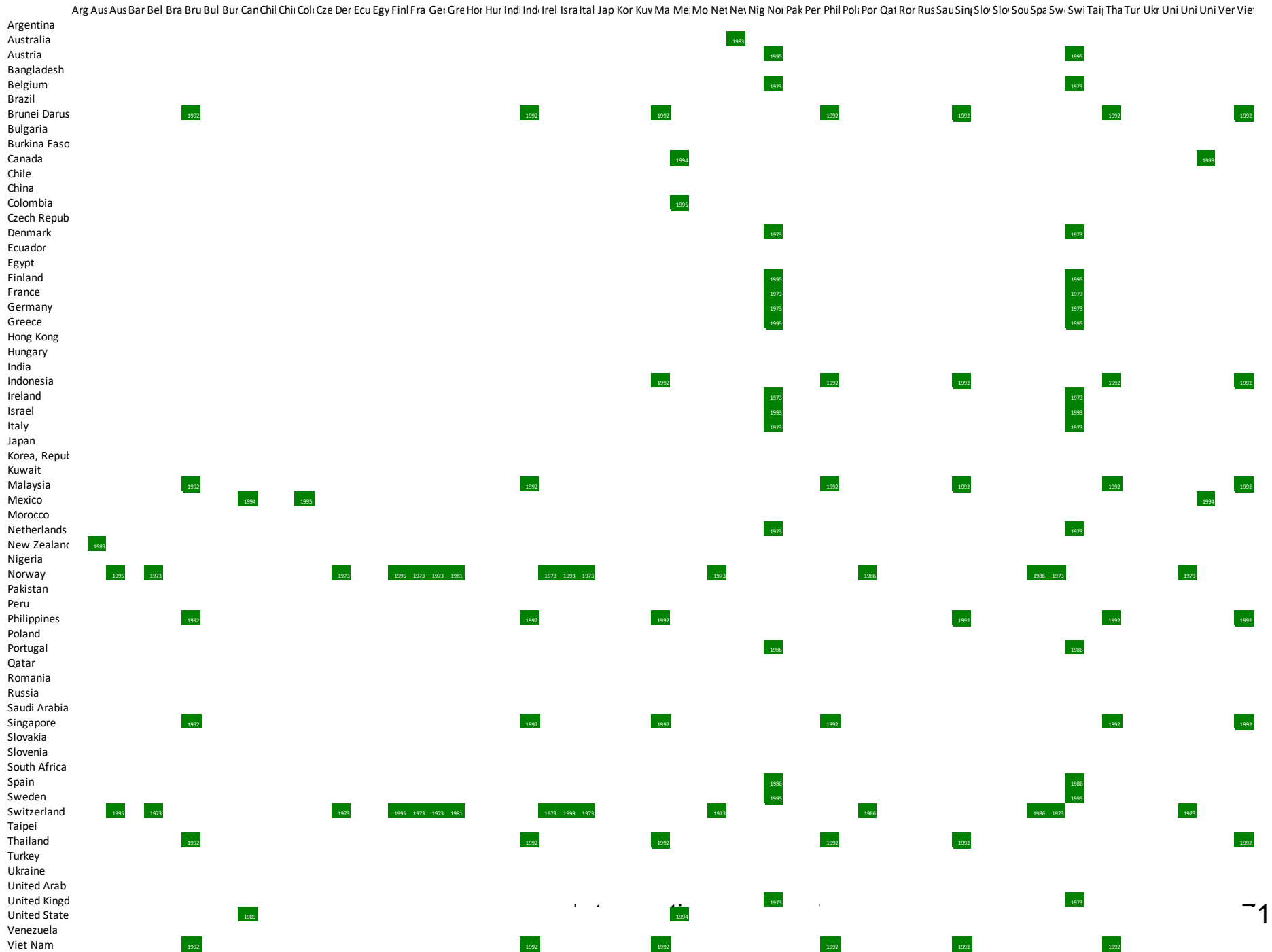
Countries connected by FTAs only, as of 1990

1%



Countries connected by FTAs only, as of 1995

3%



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
 - Essentially none at 2017 WTO Ministerial in Buenos Aires
 - Was planned for June 2020, Kazakhstan
 - Postponed indefinitely due to Covid-19

Pause for Discussion

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

