

## Hand-out week 5

### **This week:**

4. Trade Policy (cont'd):
  - 4.2. the large country case: trade policy and optimal tariffs.
5. Economic Integration:
  - 5.1. the GATT/WTO and multilateralism
  - 5.2. preferential (or regional) trading arrangements
3. International factor mobility

**Readings:** Krugman&Obstfeld, chpts 8, 9, and 7.

### **Practice problems:**

1. Explain the two opposing welfare effects caused by PTAs. Construct a (graphical) example of welfare decreasing trade diversion.
2. The Gatt/WTO process of trade negotiations proceeds in so called rounds. Try to find out what where the main achievements of the last round, the so-called Uruguay round.
3. K&O, problem 7.1.

### **Regarding the midterm:**

- Sample midterm handed out in class
- Review session on Sunday (Feb 10) from 4–6, room tba.
- Midterm on Tuesday, Feb 12, during usual class time.