

Hand-out week 5

This week:

4. Trade Policy:
 - 4.1. the case of a small country: tariffs, quotas, voluntary export restraints, export subsidies.
 - 4.2. the large country case: trade policy and optimal tariffs.
 - 4.3. political economy considerations.
5. Economic Integration:
 - 5.1. the GATT/WTO and multilateralism
 - 5.2. preferential (or regional) trading arrangements (PTAs)

Readings: Krugman&Obstfeld, chpts 8 and 9.

Practice problems:

1. K&O problems 8.7 and 8.1.-8.4.
2. Explain the two opposing welfare effects caused by PTAs. Construct a (graphical) example of welfare decreasing trade diversion.
3. The Gatt/WTO process of trade negotiations proceeds in so called rounds. Try to find out what were the main achievements of the last round (Uruguay round) and what is on the agenda for the next round (Doha round).

Re the midterm:

- Sample midterm on class webpage.
- Additional office hours: Sunday from 4–6.
- Midterm on Feb 10, at 11-12 AM, room tba.