

Hand-out weeks 5+6

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)
 - 5.3. factor mobility

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

Practice problems:

1. K&O problems 8.7 and 8.1.-8.4.
2. 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 current round (Doha round).
3. List different forms of regional economic integration and explain their characteristics.
4. Explain the two opposing welfare effects caused by PTAs. Construct a (graphical) example of welfare decreasing trade diversion.

In preparation for the midterm:

- there are two sample midterms on the [class website](#)