Part II. Trade policy, Imperfect Competition, Economies of Scale and International Factor Mobility

Session 10. Trade policy analysis

1. Offer curve analysis
    1.1 Offer curve
    1.2 Change in the offer curve
        1.2.1 Small country
        1.2.2 Large country

2. Welfare analysis
    2.1 Producer surplus
    2.2 Consumer surplus
    2.3 Pre-trade to free trade
        2.3.1 Net export sector
        2.3.2 Net import sector
    2.4 Interpret welfare changes

3, Import tariffs
    3.1 Definition
    3.2 Types of tariffs
        3.2.1 Specific tariff
        3.2.2 Ad valorem tariff
    3.3 Policy objectives
        3.3.1 Restrict import, protect domestic industry, support production or input use, maintain share of
            the domestic market, and/or support domestic price
        3.3.2 Revenue, improve balance of trade, terms of trade and/or social welfare
        3.3.3 Retaliation against foreign government's policy or behavior of foreign firm
    3.4 Economic and political issues to consider
        3.4.1 Economic efficiency
   3.4.2 Non-discrimination, predictability and transparency
        3.4.3 Usage in practice: most common trade policy measure
    3.5 Graphical analysis: small and large country cases
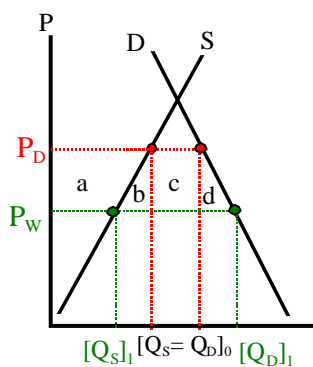   3.5.1 Partial equilibrium (3-panel diagram): economic, trade and welfare effects
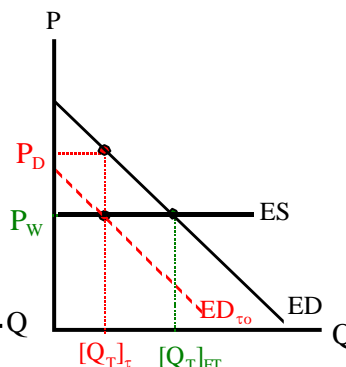   3.5.2 General equilibrium (H-O-S model): economic, trade and welfare effects
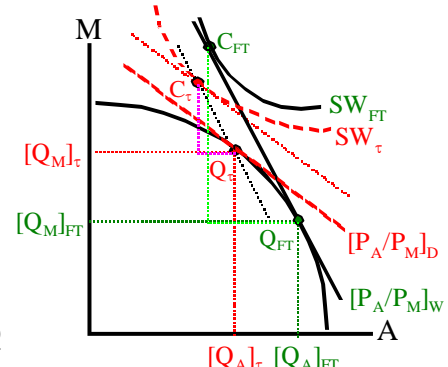   3.5.3 Offer curve analysis: trade effects

Import sector: manufacturing

South's general equilibrium

Export sector: agriculture
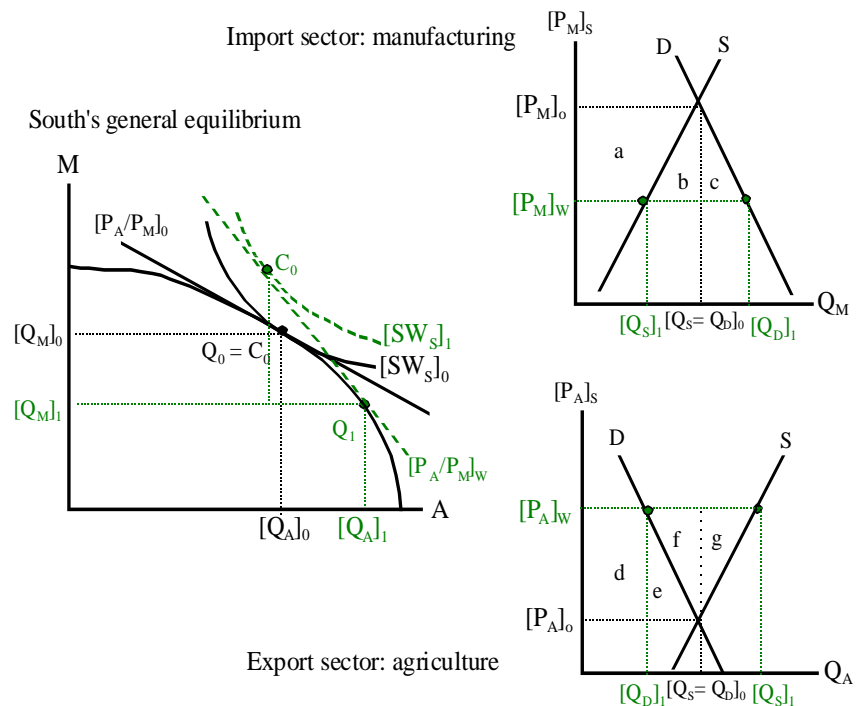
Net importer market   World market   General equilibrium of importing country

Key concepts: Offer curve; producer and consumer surplus, welfare analysis: changes in producer and consumer surplus, dead-weight loss, (domestic and international) income transfers; import tariff's economic, trade and welfare effects; specific and ad valorem equivalence, tariff-quota equivalence, tax and support equivalent of a tariff; optimal tariff and maximum revenue-generating tariff