

**Questions for PubPol/Econ 541**  
**Oct 7**

**Non-tariff Barriers**

**KOM, Ch 9, pp. 229-241:**

- Why is a tariff needed to accompany an export subsidy?
- Why does an export subsidy raise the price of the good inside the exporting country?
- Can an export subsidy benefit the country that uses it (in the perfectly competitive model of the text)? If so, how? If not, why not?
- How do the welfare effects of a VER compare to those of a tariff?
- Why does a local content requirement raise the price of inputs to producers?
- If there is only a single firm in the domestic import-competing industry, is it able to act as a monopoly under free trade? Under an import tariff? Under an import quota?

**Jackson, Ch 5, pp. 153-156:**

- Countries are not allowed under the GATT/WTO to use quotas. How do they get away with it?
- Why is the EU's variable levy legal under the GATT/WTO? And why does Jackson nonetheless object to it?

**Deardorff, "Nontariff Barriers and Domestic Regulation," pp. 12-16, 1999.**

- Suppose we are a small country and that foreign producers of imports to our country become more efficient, so that their costs fall. How will the effects of this change on the price and quantity of imports differ depending on whether we restrict imports with
  - a tariff,
  - a quota,
  - a voluntary export restraint,
  - a variable levy, or
  - a government procurement regulation?
- If the import demand curve shifts to the right, how will a variable levy, a tariff, and a quota respond differently?
- How do the welfare effects of a tariff and a VER differ for a small country and for a large country if they reduce imports by the same amount?
- Who is hurt and who is helped when the government of a small country uses a procurement regulation to restrict imports?

**Feenstra, "How Costly Is Protectionism?" 1992.**

- How much more do consumers lose from protection than the country loses? Who gets the difference?
- What determines who gets the quota rents?

- If foreign firms respond to a quota by “upgrading” their product, how can that be bad?
- Why might foreign firms respond to protection by investing in the U.S., and what are the welfare effects if they do?

**Beattie, “Mind your TRQs: a Brexit lesson in global trade,” 2017.**

- What is a tariff-rate quota?
- Why are TRQs inefficient and harmful?
- Who benefits most from a TRQ, and why?
- What was tariffication? When was it done?
- The article lists a number of products on which countries have used TRQs. Are any of them manufactured products?
- How was China hurt by TRQs in a case they took to the WTO in 2015?

**Economist, “Buying local is more expensive than it looks,” 2017.**

- Why is buying local seen as “sensible – wholesome even”?
- Why does this article disagree?
- Is the use of buy-local rules becoming more common?
- What are some examples of these rules that have been used?