

Questions for PubPol/Econ 541
Dec 4

Subsidies and Countervailing Duties

KOM, Ch. 9, selected pages:

- 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?
- Why does the text say that an export subsidy has effects that are “exactly the reverse of those of a tariff,” given that the export subsidy raises the domestic price above the world price and (if the country is large) pushes down the world price?

KOM, Ch. 12, selected pages:

- In the Boeing-Airbus example, Airbus benefits from the subsidy. Is that all that is needed for the example to be a valid basis for a subsidy?
- The textbook warns that correctly using the Brander-Spencer analysis as the basis for an export subsidy relies on getting the numbers right. Where would a government go to learn these numbers? Is that a problem?

Jackson, Chapter 11 (Subsidies)

- Why does Jackson view the issue of subsidies as “perplexing”?
- In what ways can a subsidy have international effects – that is, effects on other countries? (Jackson lists three.)
- How are export subsidies handled in the WTO? Why does Jackson suggest that perhaps importing countries should be required to levy countervailing duties against export subsidies?
- What is meant by the three colored “baskets” or “boxes” of subsidies?
- What is the importance of “specificity” and “general availability” in the context of subsidies?

Chazan, Guy, Sam Fleming, and Kana Inagaki, "A global subsidy war? Keeping up with the Americans," *Financial Times*, July 13, 2023.

- What are the two pieces of legislation in the US that are at the heart of this subsidy war?
- What are the motives for these acts, according to the US and to others?
- How are EU, Japan, and South Korea responding to this?

European Commission, “Commission launches investigation on subsidized electric cars from China, October 4, 2023.

- Who requested that the European Commission investigate subsidies to EVs from China?
- What are the two things that this investigation will be designed to learn?
- What is the longest that this investigation is supposed to take, and when will any tariffs be imposed?

Espinoza, Javier and Andy Bounds, “EU launches probe into Chinese wind turbine companies,” *Financial Times*, April 9, 2024.

- Is this about China subsidizing exports?
- By what steps does this say that China has come to dominate the solar panel industry?
- What are the signs that they have succeeded?
- Is there mention here of possible countervailing duties against imports from China?
- Does China agree that its success is due to subsidies?

Optional to Read:

Baschuk, B, "US Treasury Rolls Out Guidelines for Electric Car Subsidies," *Bloomberg* April 3, 2023.

- How much is the subsidy for US car buyers of qualifying clean-energy vehicles?
- What countries can provide inputs to those cars, and why?
- What is the dilemma that this says the EU is now in?
- Why is this important for the EU?