

ECON3171
 Homework #2
 Fall 2007

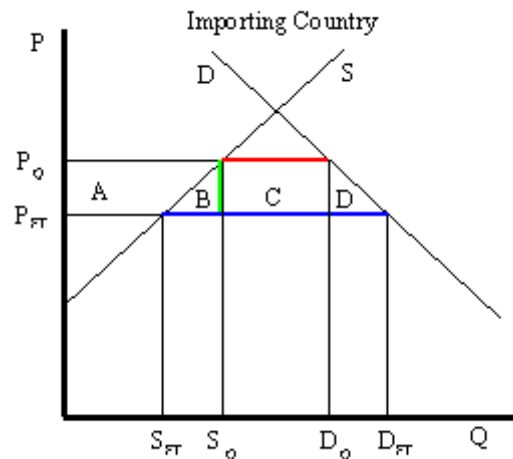
This homework is due at the beginning of class on October 15, 2007. Please answer these questions on your own paper, be sure to add your name and staple multiple pages.

1. Use the information available on the Office of the U.S. Trade Representative (USTR) web page (<http://www.ustr.gov/>) and on the U.S. Census Bureau's International Trade Statistics web page (<http://censtats.census.gov/sitc/sitc.shtml/>) to answer the following questions.

- A. Find the 2007 National Trade Estimate Report on Report on Foreign Trade Barriers -listed within "Document Library," and then "Reports," and then "2007 National Trade Estimate Report on Foreign Trade Barrier" on the USTR page. For the country of your choice, write a short summary of the key trade barriers the United States faces with this country (print and attach a copy of the section of the 2007 NTE dealing with the country you have chosen).
- B. For the country of your choice, find and report the 1-digit SITC level data of 2006 (end of year) U.S. exports and imports -available at the U.S. Census.
- C. Which two U.S. industries (use 1-digit SITC data) had the highest exports to the country you chose? Which two foreign industries (use 1-digit SITC data) had the highest exports to the U.S. from the country you chose?

2. Below is the standard graph for a quantity quota in an importing country.

Assume $S_{FT} = 750,000$ and $S_Q = 1,000,000$,
 $D_{FT} = 2,000,000$, $D_Q = 1,500,000$, $P_Q = \$20$
 and $P_{FT} = \$12.50$



- A. What is the decrease in consumer surplus after the quota?
- B. Calculate the dead weight loss imposed by the quantity quota.
- C. What are the quota rents?
- D. What is the change in domestic producer surplus?
- E. Assume the country instead imposed a tariff of \$7.50. Would the quota policy be better or worse than a tariff policy? Explain.