

**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?

Stearns, “EU Challenges China’s Trade Expansion with Landmark Tariff,” 2020.

- Why is this a “landmark tariff”?
- What product is subject to the tariff, from where into where, and what is the size and duration of the tariff?
- Might more such tariffs be used in the future?

Hollinger, “The Airbus and Boeing subsidy battle is far from over,” 2021

- What did Airbus and Boeing each object to with regard to the other company?
- Does this agreement end those actions that each objected to? If not, what does it do?
- How had the WTO dealt with this dispute?
- What are Airbus and Boeing probably more worried about than each other?

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?

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?

Evenett, Simon and Gary C. Hufbauer, "Are the IRA climate-related tax credits a trillion-dollar problem?" *Zeitgeist Series, Briefing #9, Global Trade Alert*, July 24, 2023.

- What about the IRA tax credits makes estimating their cost to the US so difficult?
- What complications are mentioned for this?
- Why is this important for the EU?