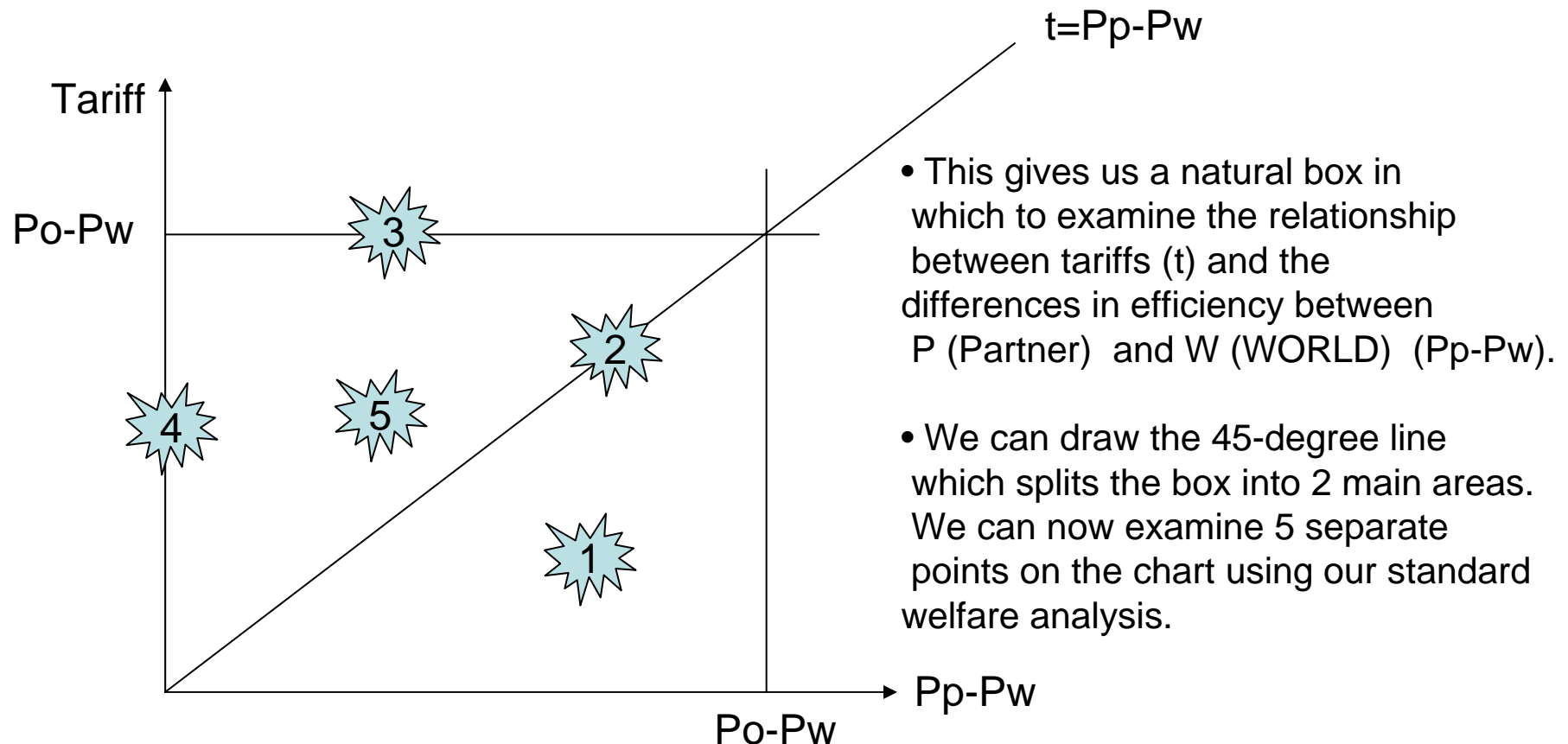


Economics European Union

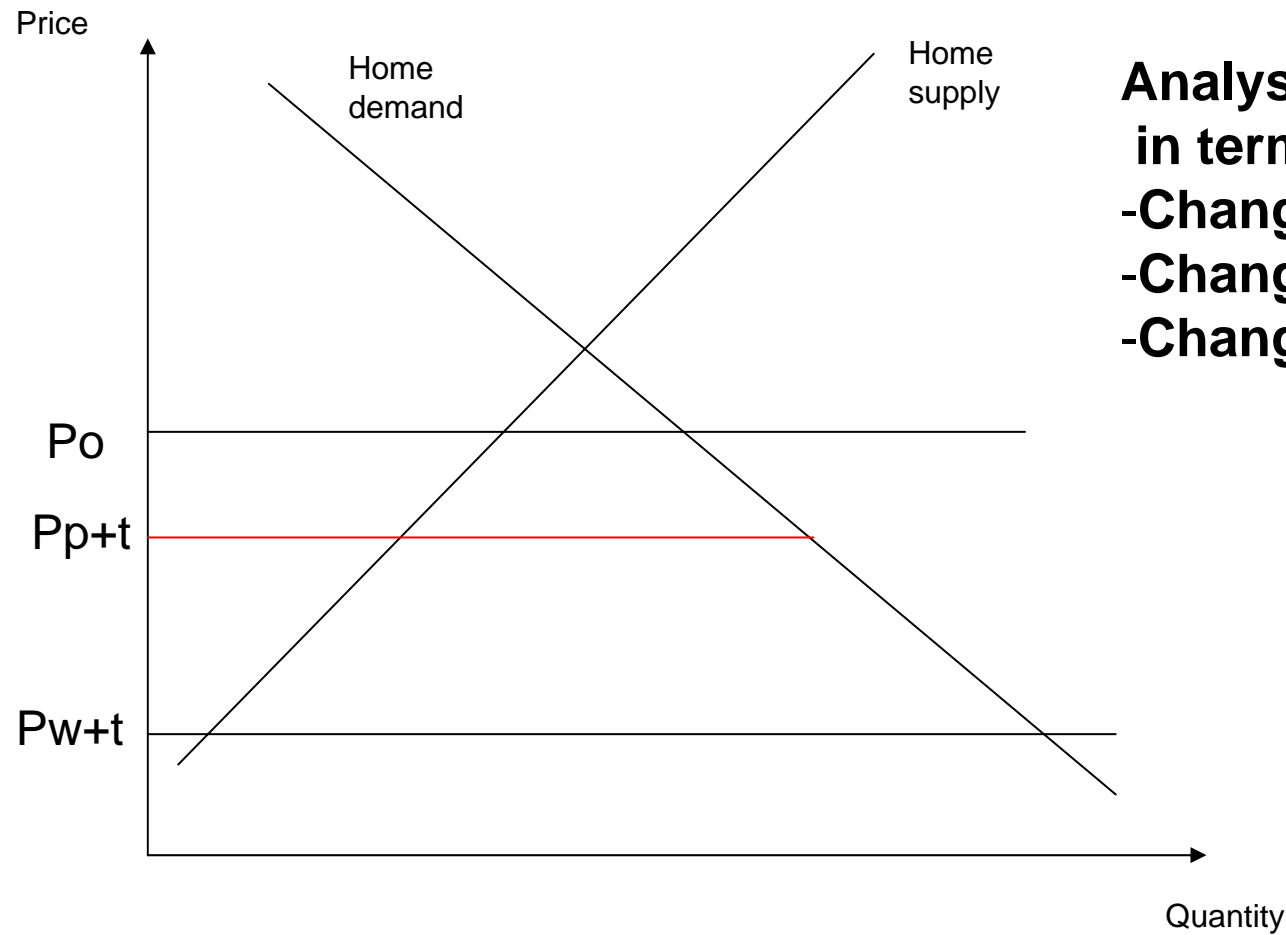
Topic 2 Exercises

Exercise 0 (by the teacher)

Welfare analysis of a preferential trade agreement



Exercise 0. Set up for analysis



**Analyse each case
in terms of**

- Change in prices**
- Change in imports**
- Change of welfare**

Exercise 1

Make two lists with the variables that are involved in the STATIC and the DYNAMIC effects of trade liberalization in a custom union

- prices, domestic demand and supply, allocation of resources, the volume of imports and exports, structure of production, tariff revenues, specialization according to comparative advantage, terms of trade, economies of scale, market power, production, the pattern of trade, national income

Exercise 2

Analyze graphically the static effects of custom unions? Under which conditions (of demand, supply, initial tariff level) is more likely that trade creation dominates trade deviation?

Exercise 3

[Hitiris, pag 83] Analyse graphically the effects of the Single European Market (SEM) for a firm experiencing increasing returns to scale.

Exercise 4

Analyze graphically the effects of the Single European Market for a monopoly experiencing the opening of domestic market to foreign competition

Exercise 5

Analyze graphically the “growth effects” of the Single European Market