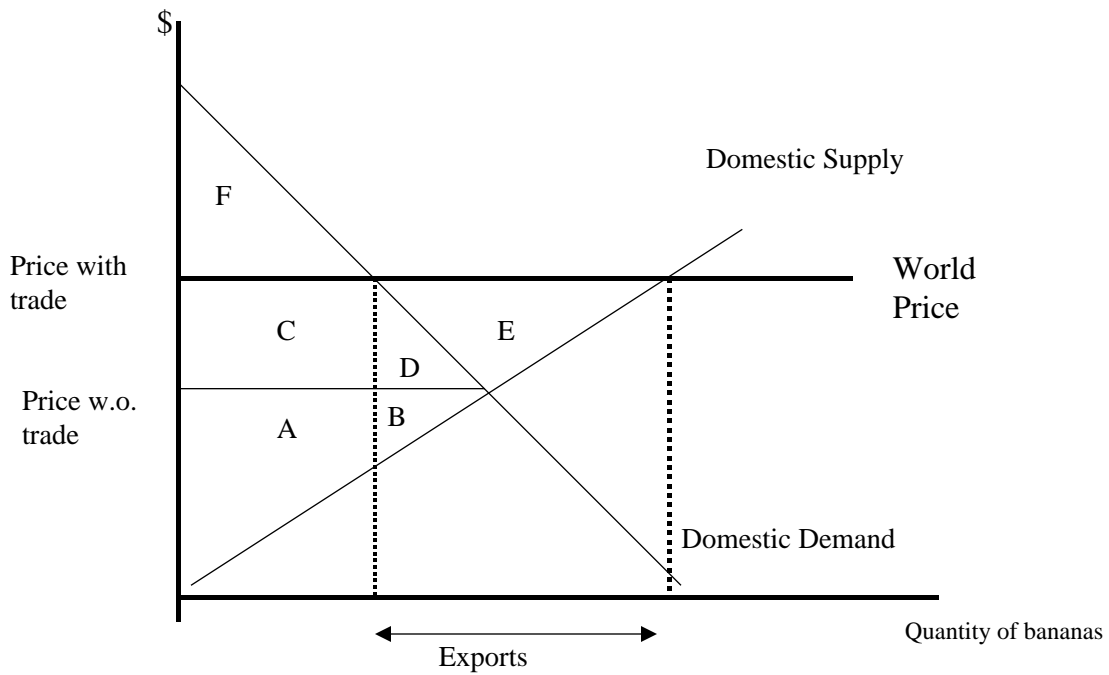


International Trade

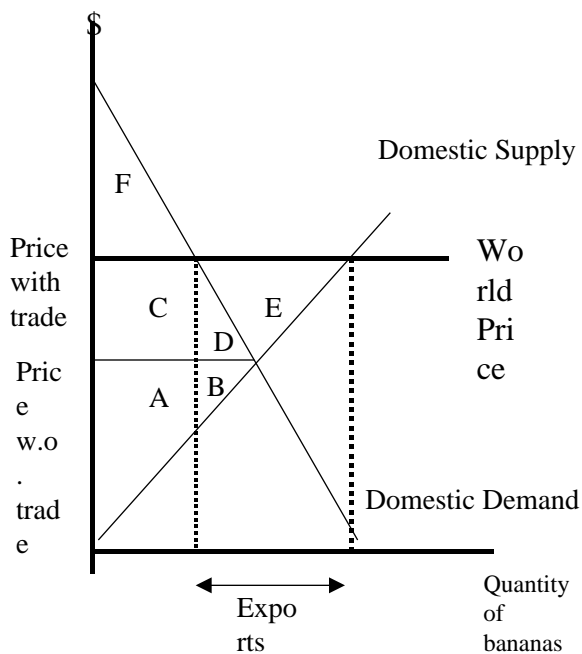


The Case for Trade

Trade and Exporting Countries

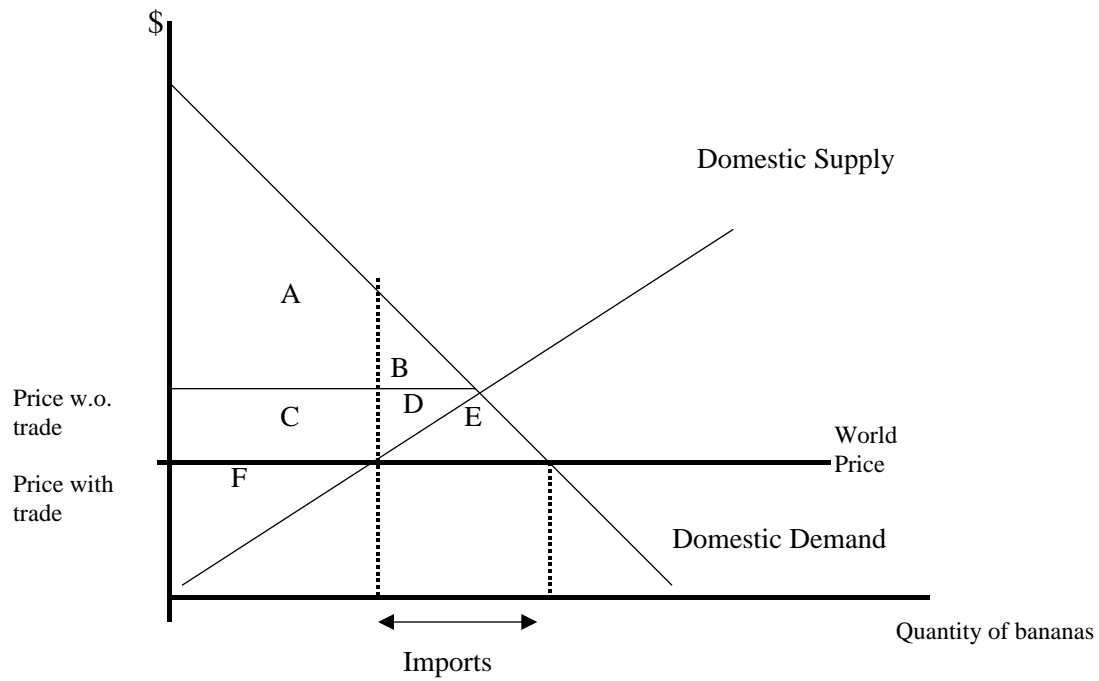


Exporting Country: Winners & Losers



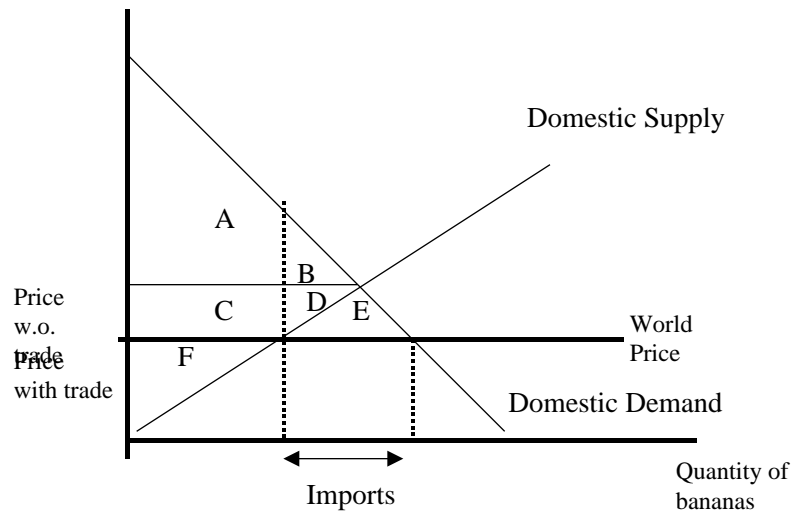
- Without trade, consumer surplus is $F+C+D$ and Producer surplus is $A+B$.
- With trade, consumer surplus is F in exporting country, producer surplus is $C+D+E+B+A$
- Producers win; consumers lose, but winners can compensate losers

Trade and Importing Countries

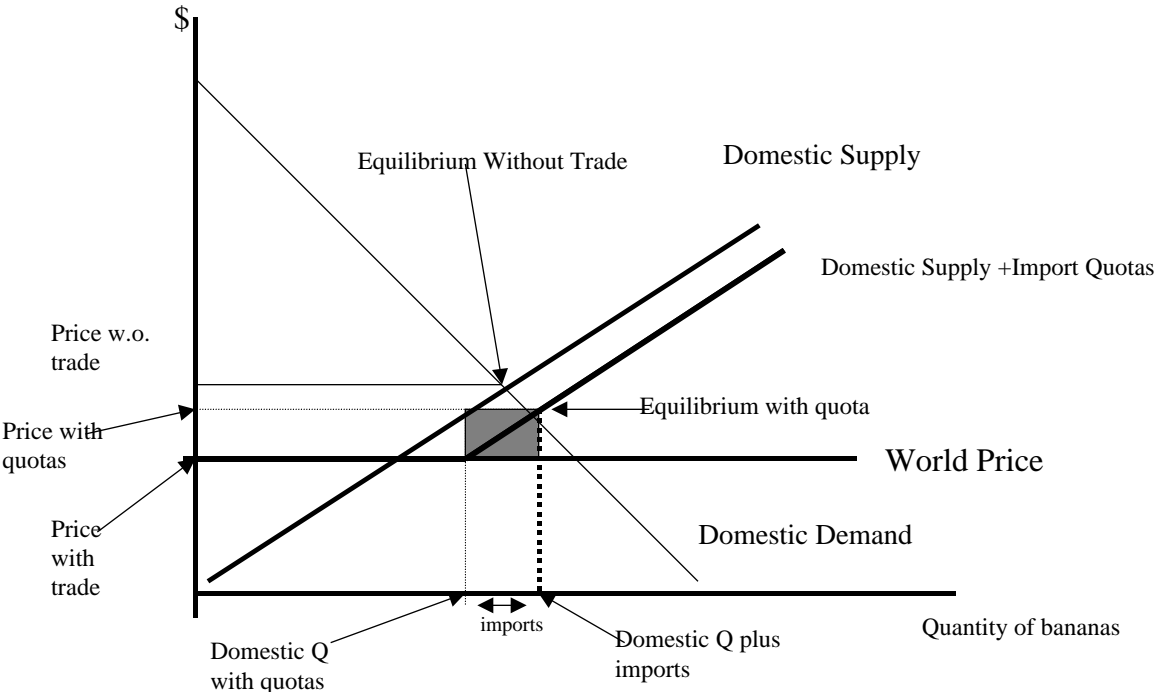


Importing Country: Winners & Losers

- Without trade, consumer surplus is $A+B$; producer surplus is $C+D+F$.
- With trade, consumer surplus is $A+B+C+D+E$. Producer surplus is F .
- Consumers win; producers lose, but again winners can compensate losers.



Import Quotas



Main Points

■ Winners and losers

- Winners: consumers in importing country and producers in exporting country
- Losers: consumers in exporting country and producers in importing country

■ Case for trade

- Total surplus is greater; winners can compensate losers.

■ What is case against trade?

- Concerns about distribution
- Cultural disruption.