In their study of the semiconductor market, Baldwin and Krugman found that there is great scope in that industry for government policy to alter the structure of competition, but less scope for strategic policies to generate national welfare gains.[23] Dixit concluded similarly that the welfare gains from strategic trade policy are modest in the automobile industry, except when the social value of the government revenue generated by tariffs is large or when much of the payment to automobile workers is viewed as rent rather than as an opportunity cost.[24] Baldwin and Krugman found that strategic subsidies to Airbus in support of their development of wide-bodied jet aircraft may have raised aggregate European welfare somewhat, but this finding stems more from the gain in consumer surplus that resulted from earlier product introduction than it does from any shifting of excess profits.[25]

Greater support for the potential benefits of strategic trade interventions emerges from Baldwin and Flam's analysis of the world market for 30 to 40-seat commuter aircraft.[26] Smith and Venables, on the other hand, found substantial gains to Europe from further liberalization of its internal trade in a variety of oligopolistic industries, and particularly in the car market.[27]

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[23] Richard E. Baldwin and Paul R. Krugman, "Market Access and International Competition: A Simulation Study of 16K Random Access Memories", in Robert Feenstra, ed., *Empirical Methods for International Trade*, MA: MIT Press, 1988: 171-97.

[24] Avinash K. Dixit, "Optimal Trade and Industrial Policies for the U.S. Automobile Industry", in Robert Feenstra, ed., *Empirical Methods for International Trade*, MA: MIT Press, 1988: 171-97.

[25] Richard E. Baldwin and Paul R. Krugman, "Industrial Policy and International Competition in Wide-Bodied Jet Aircraft," in Robert E. Baldwin, ed., *Trade Policy issues and Empirical Analysis*. Chicago: University of Chicago Press for the National Bureau of Economic Research, 1988.

[26] Richard E. Baldwin and Harry Flam, "Strategic Trade Policy in the Market for 30-40 Seat Commuter Aircraft", *Weltwirtschaftliches Archiv*, (125) 1989: 484-500.

[27] Alasdair Smith and Anthony J. Venables, "Completing the Internal Market in the European Community", *European Economic Review*, (32) 1988: 1501-25; and Alasdair Smith and Anthony J. Venables, "Counting the Costs of Voluntary Export Restrictions in the European Car Market", in Elhanan Helpman and A. Razin, eds., *International Trade and Trade Policy*, Cambridge, Mass: MIT Press, 1991.