

AND THE DEVIL TAKE THE HINDMOST:
THE EMERGENCE OF STRATEGIC TRADE POLICY

Dept. of External Affairs
Min. des Affaires extérieures
MAR 4 1994
RETURN TO DEPARTMENTAL LIBRARY
RETOURNER A LA BIBLIOTHEQUE DU MINISTRE

Executive Summary 3
Résumé 4
1. Introduction 7
 1.1 Strategic Trade Policy in Imperfectly Competitive Markets 8
 1.2 Strategic Trade Policy and Industrial Policy 9
2. Strategic Trade Theory and Industrial Policy 9
 2.1 The Stylized Theory of Strategic Trade Policy 9
 • Profit-Shifting Trade Policy in Imperfectly Competitive Markets .. 10
 • Strategic Trade Policy and Economies of Scale 12
 2.2 The Logic of Industrial Policy and Its Implementation 13
 • Imperfect Competition 13
 • Externalities 14
 2.3 A Debate on Other Arguments for Industrial Policy 15
 • Picking High Value Added Industries 15
 • Encouraging Linkage Industries 17
 • Promoting Industries With Future Growth Potential 18
 • Responding to Other Countries' Industrial Policies 19
3. The Experience of Strategic Trade Policy 20
 3.1 Empirical Evidence on Strategic Trade Policy 20
 3.2 Experience of Industrial Policy 22
 • French Industrial Policy 22
 • Japanese Industrial Policy 24
 • U.S. Industrial Policy 28

43-267-187