1. (6 points) The graphs below show a competitive two-country World demand and supply of Steel. Lobbyists in the importing country petition the government for import relief through quotas on imports of Steel. The government of the importing country certainly does not want to cave in to lobbyists. Nevertheless, it would like to help out the domestic industry. It therefore decides to subsidize domestic production of Steel.

A. Please draw in any necessary curves to show what effect the subsidy has on the quantity of Steel imported.
B. Label regions of the graph with letters to identify the net welfare effect of the Steel subsidy: is the importer better off or worse off for having imposed it?

C. Identify a quota that would have the same effects
2. (2 points) The government of a small country decides to adopt a policy to encourage vaccination of residents of the country. It happens to be the case that this country is an exporter of flu vaccine, so the government decides to adopt a trade policy. What policy would achieve the goal of getting more residents vaccinated? Please explain briefly why the policy you identified would work.

3. (2 points) Please define:

*Countervailing Duty*

*Domestic Content Requirement*