

State Trading Enterprises vs. Trade Policies for Targeted Policy Objectives

– Large Country Case –

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Abstract

This paper develops a simple partial equilibrium model to explain the reason why State Trading Enterprises exist. For this purpose, we analyze the welfare effects between the trade policies such as import (or export) tariffs (or subsidies) and a State Trading Enterprise in a large country. We clarify which policy is superior as a trade policy for attaining the government's objectives such as targeted production (or consumption). Our results show that the trade management of the State Trading Enterprise is more efficient than the optimal import or export tariffs over welfare and also that beggar-thy-neighbor effects become smaller than those in the case of the optimal tariffs.

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