

Consider trade relations between the United States and Mexico. Assume that the leaders of the two countries believe the payoffs to alternative trade policies are as follows.

		United States' Decision	
		Low Tariffs	High Tariffs
Mexico's Decision	Low Tariffs	U.S. Gains \$ 25 Billion Mexico Gains \$ 25 Billion	U.S. Gains \$ 30 Billion Mexico Gains \$ 10 Billion
	High Tariffs	U.S. Gains \$ 10 Billion Mexico Gains \$ 30 Billion	U.S. Gains \$ 20 Billion Mexico Gains \$ 20 Billion

11. What is the dominant strategy for the United States? Why?
12. What is the dominant strategy for the Mexico? Why?
13. Both countries will end getting stuck in the dominant strategy equilibrium doing what?
14. Both countries would be better off though if they could cooperate and each do what?