Quantifying GATT Trade Liberalization

Kristy Buzard, Ross Jestrab and Zeyuan (Victor) Xiong

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1   Introduction

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2   Literature

- There is a large qualitative literature on what happened through the GATT

    - Go back and list some of the books we read on, e.g., each round

    - "Tariff negotiations and renegotiations under the GATT and the WTO"

        * What is Matt's status with this?

    - USITC history papers (two of them)

    - Irwin's big book

        * 1994 Irwin NBER working paper

    - Petros' chapter on tariffs

- Three strands of quantitative literature

    - Old stuff

        * Krause 1962, etc

            · Go through reference list

        * Dur, Balassa, Kreinin

    - BSY (is there a second one?)

- Bown and Irwin (2017)

- But what about "30 years of trade policy"?

- Need to include TOT literature if going to include TOT analysis

3 Institutional Context

- Background, general info on GATT

  - RTAA reductions between Smoot Hawley and 1946

    * How do the two different documents we have relate to each other

#{r child = 'context.Rmd'} #

4 Data

- Where we got these files

  -

- How we digitized the data

  - Dealing with paragraph splitting, new lines

  - Dealing with two changes in coding

    * Historical context on those changes

- Other issues that arose

  - Specific vs. ad valorem vs. mixed
  - Variation in units for specific tariffs, how we standardized them
  - Tariff intervals
  - Free list
  - Staging (starting with Geneva A/B/C)
  - Ad valorem equivalents (AVE) and trade weighting

We have been able to locate the original documents that contain the consolidated GATT tariff schedules at the end of each of the eight round of negotiations. To date, we have digitalized and standardized the tariff data for the first five GATT rounds for the United States. We

have done the same for the tariff schedule that was in effect in the United States before the start of the GATT—the so-called Smoot Hawley tariffs.

We are currently adding the Kennedy, Tokyo and Uruguay rounds for the U.S. and all rounds for several other countries. The sketch of preliminary findings reported herein is on the U.S. data on Smoot Hawley tariffs through the Dillon round.

In standardizing the tariff lines across rounds, we end up with 2996 lines. The changes through time that require this standardization effort are often interesting in themselves. For instance, Paragraph 353, which covers "electrical articles'' such as motors, tools, telegraphs, telephones and xray apparatus, is one line with a common 35 percent *ad valorem* tariff in 1930. By the end of the Dillon Round in 1964, this paragraph has been split into 30 distinct lines with tariffs ranging from 5.5% (xray: other) to 17.5% (wiring).

5   Results

5.1   Basic Facts

- Total tariff cuts from Smoot Hawley to last round we have
    - Specific vs. ad valorem
        * Overlap in ad valorem and specific
- Addition of new lines round-by-round
- Round by round cuts (focus on end of round)
- Magnitude and speed of liberalization across types of products
    - Any obvious patterns to which lines have largest/smallest cuts?

5.2   Spotlight on some interesting products

- Round by round graphs for specific, interesting lines
    - To do this the way I want to, need implementation dates
- Which lines from Smoot Hawley don't see any action?
    - Victor says: 1014, 1530e, 1544,1104a, 81, 82,318,412
- Are there differences in which lines get staging once staging starts?

- Before Kennedy at least, where it was uniform. . .

  * Was it *really* uniform?

- Can we quantify which types of products get a lot of splitting of lines?

- Metallic magnesium and metallic magnesium scrap, para 375, swiches from specific to ad valorem in Geneva56C; reduced from 50 to 45% in Dillon

  - 1102b (wools nspf) go from ad valorem in every round to specific in Dillon
  - 202.a swiches from specific in S-H to ad valorem in Geneva

- Need to look into bicycles (para 375)–every other one gets a new specific tariff in Geneva, but was ad valorem in S-H?

- Para 209, item 6 has tariff double in Geneva56A

  - 331 item 10 increases specific tariff from 3 to 4 in Torquay
  - 911
  - 1005.a.3 (something to do with hemp) S-H –> Geneva unchanged; then increase

- Para 32, "change of tax formula"? Also 202.a, 232.c,302.d,

5.3   Other things we learned

- How important was RTAA between 1934 and 1946?

- What do Column 2 tariffs really represent (1962)

- Can we test:

  - Trade Expansion Act of 1962 provided for removing the duty on articles for which the July 1, 1962, rate was 5 percent ad valorem or less, and reducing the rates on other articles by 50 percent of the July 1, 1962, rate. (Dobson)

    * **The major trading countries made across-the-board cuts ranging from 36 to 39 percent of previous tariff rate levels on most products**
    * Trade Act of 1974 grants the President a 5-year negotiating authority, allowing him to reduce by as much as 60 percent any tariff rate over 5 percent in force on January 1, 1975, and also allows him to remove the duty on any article for which the existing rate is 5 percent or less.

  - 1945, the executive branch had cut in half–the maximum allowable reduction–the rates for about 40 percent of the dutiable imports

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5.4 Analysis

- What can we say about which / why lines have ad valorem vs. specific?

    - Is there variation over time?

- Can we posit an explanation for the variation in both the quantity and speed of liberalization across products?

    - Perhaps the number of countries who are negotiating?

        * Look at correlations between the number of pages for the schedule for each country?

`#{r child = 'results.Rmd'} #`

6 Non-U.S. Contracting Parties

Need table that Matt is creating with number of pages for each schedule for each round

7 Terms of Trade Analysis

At least include our plans, what data we're going to use - proof of concept using modern elasticity data would be great, even in a subset of lines

8 Conclusion

Future plans

- What role did the presence of specific tariffs, combined with inflation, have in reducing the total level of tariff protection?

    - Need trade volume / value / price data

9 References

`#{r child = 'references.Rmd'} #`

10　Data Appendix

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- overflow from data section

- include source table

  - Victor is updating to include concordance sources

Where will GATT participants / lengths of schedules go? A separate appendix?