

Quantifying U.S. GATT Trade Liberalization

Kristy Buzard, Syracuse University, kbuzard@syr.edu

Ross Jestrab, Syracuse University

Zeyuan (Victor) Xiong, Syracuse University

June 04, 2021

Overview

Large-scale tariff reductions under General Agreement on Tariffs and Trade (GATT) as a result of 8 rounds of negotiations (1947-1994)

- Negotiated tariff bindings (not necessarily applied tariffs)

Literature largely theoretical because we don't have good data on either applied or negotiated tariffs (Bown and Irwin 2017)

- LOTS of open research questions because the data isn't there
 - One exception: Bagwell, Staiger and Yurukoglu (2020) look at bargaining records for Torquay

Today: describe the tariff schedule data, its sources, our methods for digitizing it, preliminary findings for first five rounds

Pre-GATT

We take advantage of a large qualitative literature on historical trade policy (e.g., Irwin 2017)

- contextualize and interpret the data, find new data sources

Specifically for the United States:

- 1930: Smoot-Hawley Act implements massive upward revision of U.S. tariffs
- 1934: Backlash from Smoot-Hawley \Rightarrow Reciprocal Trade Agreements Act (RTAA)
 - President could reduce tariffs up to 50% without Congress
 - U.S. made about two dozen trade agreements by 1946

Data sources

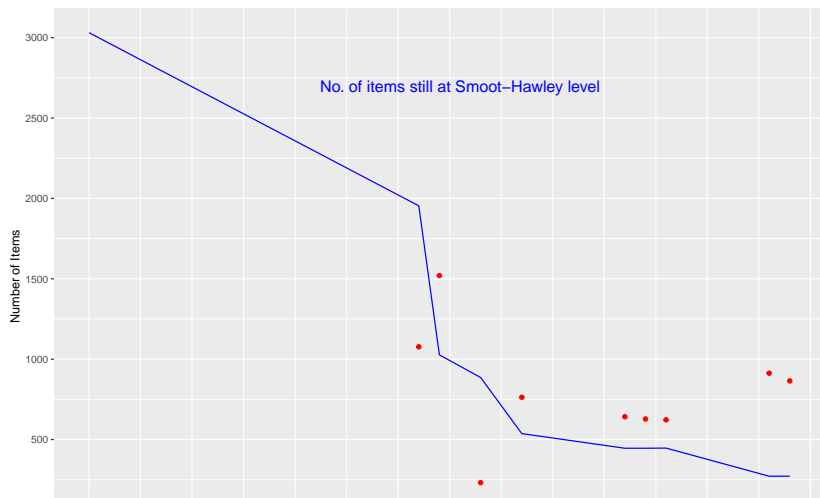
Note that summary statistics throughout the paper for specific tariffs are *not* trade weighted; we are in the process of acquiring the trade data required to both trade weight summary statistics and compute *ad valorem* equivalents.

sources of data on the negotiated schedules and our process of acquiring, standardizing and digitizing key tariff schedules for the United States from 1930 to 1964 that cover the Smoot-Hawley unilateral tariffs of 1930 through the fifth round of the GATT (Section 3).

What's next?

- Concordances
 - Smoot-Hawley to TSUS
 - TSUS to HS
 - Smoot-Hawley to 1930's import classification system
- Add final three rounds
- Import volume and value data
 - *Ad valorem* equivalents
 - Trade weighting
 - Terms-of-trade analysis
- Eventually, other countries' schedules

Item level



Complications

- About 15% of items per round have both *ad valorem* and specific components to their tariff in a given round (“compound”, following Teti 2020)
- Roughly 10% of items are “mixed”, i.e. have either an *ad valorem* or specific rate, depending on which is higher
- About 2% of the items are “technical”, e.g. defined on proportion of content that meets some criteria

All these are included in the following statistics for compound and *ad valorem*

Liberalization from 1930 to 1964

From the Smoot-Hawley tariffs (1930) to the Dillon Round (1964) both *ad valorem* and specific tariffs were cut roughly in half

- mean *ad valorem* tariff binding decreases from 39% to 18.9%
 - medians drop from 35% to 15%
- mean specific tariff binding decreases from 14¢ to 7¢
 - medians are much smaller, dropping from 0.38¢ to 0.21¢

Tables 1 and 2

(all tables refer to the numbers in data-paper.pdf; source code is in results.rmd)

Task 1

- Level 1: get Table 1 and Table 2 onto this slide and a new one that follows
- Level 2: see if there's some way to combine them into one table (I think this will be hard in terms of just fitting everything in, but worth a try if there's time). If you try it, leave the original two slides and just add a third so I can compare

Tables 3 and 4

Task 2: get tables 3 and 4 onto this and an additional new slide

Schedule titles

Task 3: get Schedule titles table onto this slide

Task 4:

- Level 1: get tables 6 and 7 onto two new slides
- Level 2: see if you can come up with a way to have clearer titles for the columns that still make sense (this may involve adding another level of header—one that goes across and labels mean vs. median; I think the `add_header_above` command in “schedules title” table will work)

Task 5: see if you can resize the graph on slide 5 so it fits

Importance of pre-GATT negotiations

Some lines see tariff increases

Very few changes between *ad valorem* and specific

What's next?

- Concordances
 - Smoot-Hawley to TSUS
 - TSUS to HS
 - Smoot-Hawley to 1930's import classification system
- Import volume and value data
 - *Ad valorem* equivalents
 - Trade weighting
 - Terms-of-trade analysis