

Non-tariff Barriers to Import

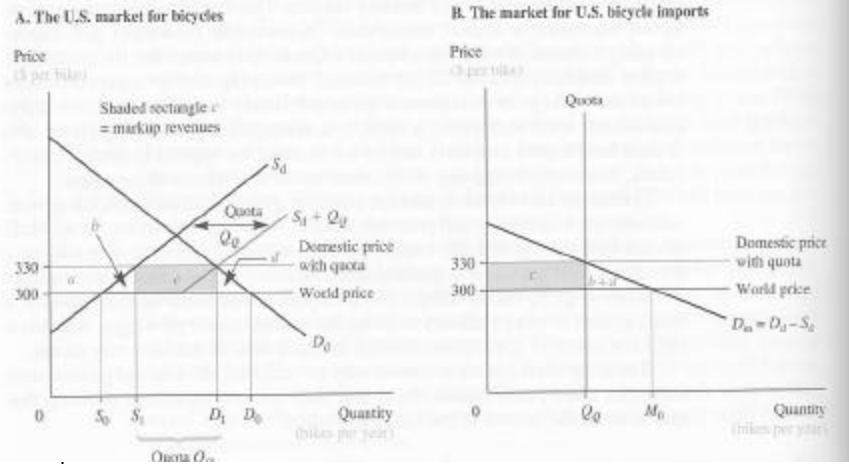
Based on Chapter 8

Topics

- ◆ World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT), as well as the result of the Uruguay Round of multilateral trade negotiations.
- ◆ import quota and a voluntary export restraint (VER), for both a small importing country and a large one.
- ◆ nontariff barriers (NTBs) to imports.
- ◆ estimates of the costs of actual tariffs and nontariff barriers.

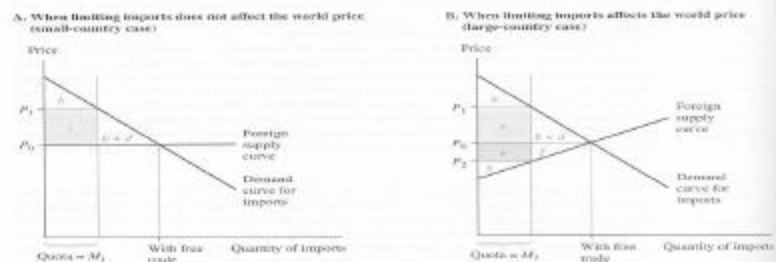
Effects of Import Quota

FIGURE 8.1 The Effects of an Import Quota under Competitive Conditions



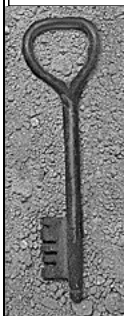
Effect of VER

FIGURE 8.2 Welfare Effects of VERs Versus Quotas Versus Free Trade

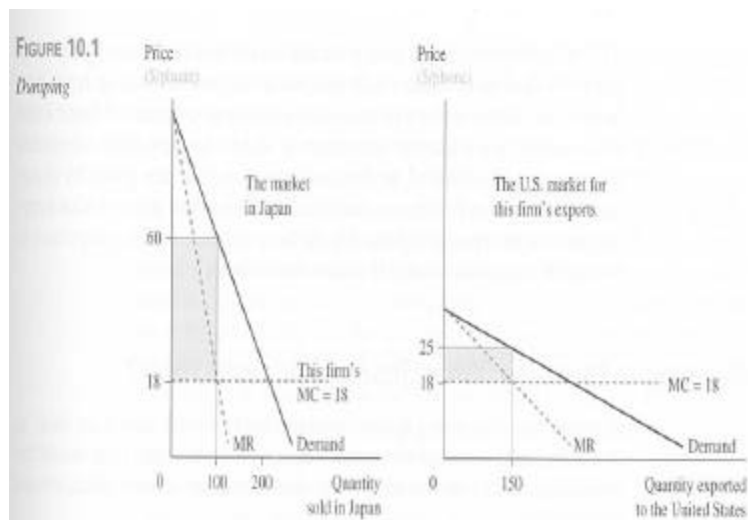


This view of an import market subject to voluntary export restraints allows us to compare the net national, foreign, and world welfare effects of the VER with either free trade or an import quota imposed by the government of the importing country.

If the importing country is a price-taking country (small-country case):			
Importing Country	Foreign Supply	World Price	Quota = M_1
Free trade	Perfectly elastic	P_0	P_0
Quota	Perfectly elastic	P_0	P_0
VER	Perfectly elastic	P_0	P_0
Net National Welfare	Net National Welfare	Net National Welfare	Net National Welfare
Foreign Welfare	Foreign Welfare	Foreign Welfare	Foreign Welfare
World Welfare	World Welfare	World Welfare	World Welfare
If the importing country affects the world price (large-country case):			
Importing Country	Foreign Supply	World Price	Quota = M_1
Free trade	Upward-sloping	P_0	P_0
Quota	Upward-sloping	P_1	P_1
VER	Upward-sloping	P_2	P_2
Net National Welfare	Net National Welfare	Net National Welfare	Net National Welfare
Foreign Welfare	Foreign Welfare	Foreign Welfare	Foreign Welfare
World Welfare	World Welfare	World Welfare	World Welfare



Price Discrimination



Thank you, and Good night.