

Non-tariff Barriers to Import

Based on Chapter 8

Topics

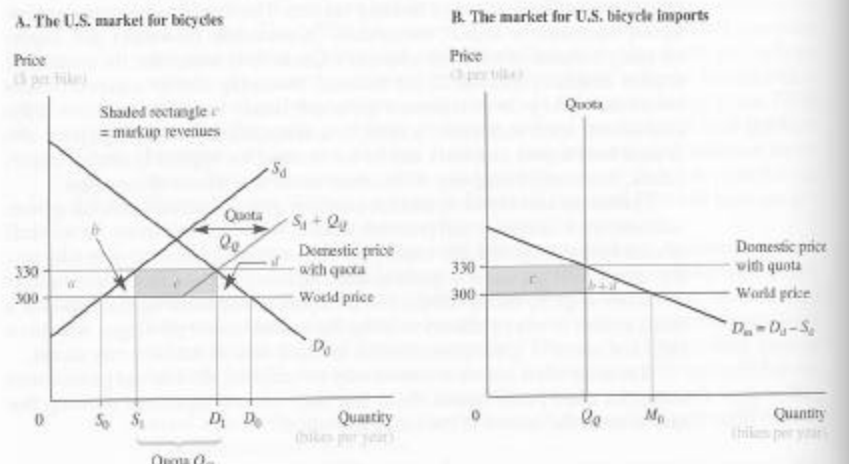
- ◆ World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT), as well as the result of the Uruguay Round of multilateral trade negotiations.
- ◆ Types of non-tariff barriers –
 - import quotas,
 - voluntary export restraint (VER),
 - product standards,
 - domestic content requirement, state monopolies on foreign trade, buy-at-home rules government purchases administrative red-tape to harass foreign sellers, complicated exchange controls, etc.
- ◆ Welfare effects and estimation of the cost of these NTBs.
- ◆ We study two NTBs: Import quota, VER today, first Import Quota

Reason for the govt. to have Import quotas

- ◆ Protectionist insurance: reduces further increase in import competition
- ◆ Balance of payment insurance: Reduces foreign exchange outflow
- ◆ Administrative flexibility and power to deal with firms, e.g., who gets the import license.

Effects of Import Quota

FIGURE 8.1 The Effects of an Import Quota under Competitive Conditions



Quota vs Tariffs

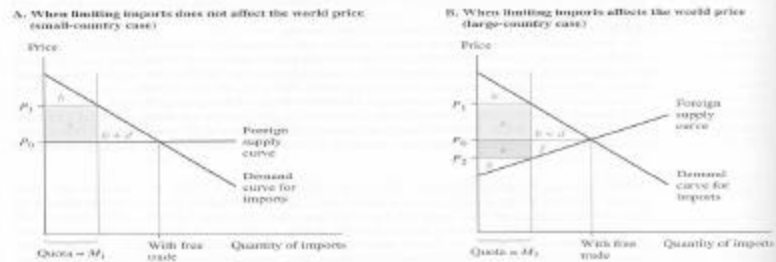
- ◆ They are equivalent except
- ◆ If quota creates monopoly power
- ◆ Or the licenses to import are allocated inefficiently
- ◆ Consider this problem for each of the following ways to allocate licenses
- ◆ Competitive auctions (the best and rarest way)
 - Example:
- ◆ Fixed favoritism (the most arbitrary way)
 - Example: 1959 and 1973, US gave quotas to oil co. to import oil
- ◆ Resource using application procedure (least efficient way)
 - Example: stand-up in line for free license
- ◆ Ann Krueger estimated that costs

Effect of VER when compared with Quota or Free Trade

- ◆ The effects of VER on welfare of the importing country, exporting countries and the world as a whole depends on if the importing country is a small or a large to influence the world equilibrium price.
- ◆ The figure 8.2A considers the small importing country case.
- ◆ The figure 8.2B considers the large importing country so that the supply curve of the foreigners to the importing country is price elastic.
- ◆ The net-gains and the comparisons of welfare losses and gains for various possibilities are shown in the table below the figure.

Effect of VER

FIGURE 3.2 Welfare Effects of VERs Versus Quotas Versus Free Trade




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

If the suspension consists of a spring-damper control system, as in Figure 8-2-1			
	Assumption & Summary	Frequency Response	Steady-state Deflection
Set Springs from Frame			
Free motion	$\ddot{x} + 2\zeta\omega_n \dot{x} + \omega_n^2 x = 0$	$\omega = 0$	$\delta = \frac{1}{2\zeta} + \frac{1}{\omega^2} = 0$
Steady response	$\ddot{x} + 2\zeta\omega_n \dot{x} + \omega_n^2 x = F \sin \omega t$	$\omega = \omega_n$	$\delta = \frac{1}{2\zeta}$
Set Springs from VEH Versus Two Alternatives			
VEH versus two frame	$\ddot{x} + 2\zeta\omega_n \dot{x} + \omega_n^2 x = 0$	$\omega = 0$	$\delta = 0$
VEH versus ground	$\ddot{x} + 2\zeta\omega_n \dot{x} + \omega_n^2 x = F \sin \omega t$	$\omega = \omega_n$	$\delta = \frac{1}{2\zeta}$
If shock-excited loads excite the control system, as in Figure 8-2-2			
	Assumption & Summary	Frequency Response	Steady-state Deflection
Set Springs from Frame			
Free motion	$\ddot{x} + 2\zeta\omega_n \dot{x} + \omega_n^2 x = 0$	$\omega = 0$	$\delta = \frac{1}{2\zeta} + \frac{1}{\omega^2} = 0$
Steady response	$\ddot{x} + 2\zeta\omega_n \dot{x} + \omega_n^2 x = F \sin \omega t$	$\omega = \omega_n$	$\delta = \frac{1}{2\zeta}$
Set Springs from VEH Versus Two Alternatives			
VEH versus two frame	$\ddot{x} + 2\zeta\omega_n \dot{x} + \omega_n^2 x = 0$	$\omega = 0$	$\delta = 0$
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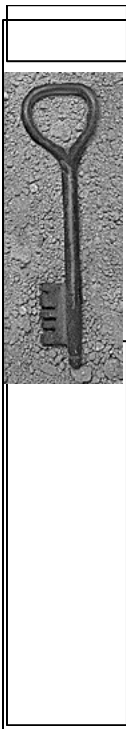
Other Non-tariff Barriers

- ◆ NTBs reduce import by operating through one of more of three channels:
 1. Direct limit on the quantity of imports
 - ◆ Examples:
 2. Increasing the cost of getting imports into the market
 - ◆ Examples
 3. Creating Uncertainty about the conditions under which imports will be permitted
 - ◆ Examples:



Other Barriers

- ◆ Product Standards:
 - Examples: restrictions of Beef and chicken imports from US by Europe and Japan
- ◆ Domestic Content or mixing Requirements
 - Examples



How big are the costs of Protection?

Thank you, and Good night.