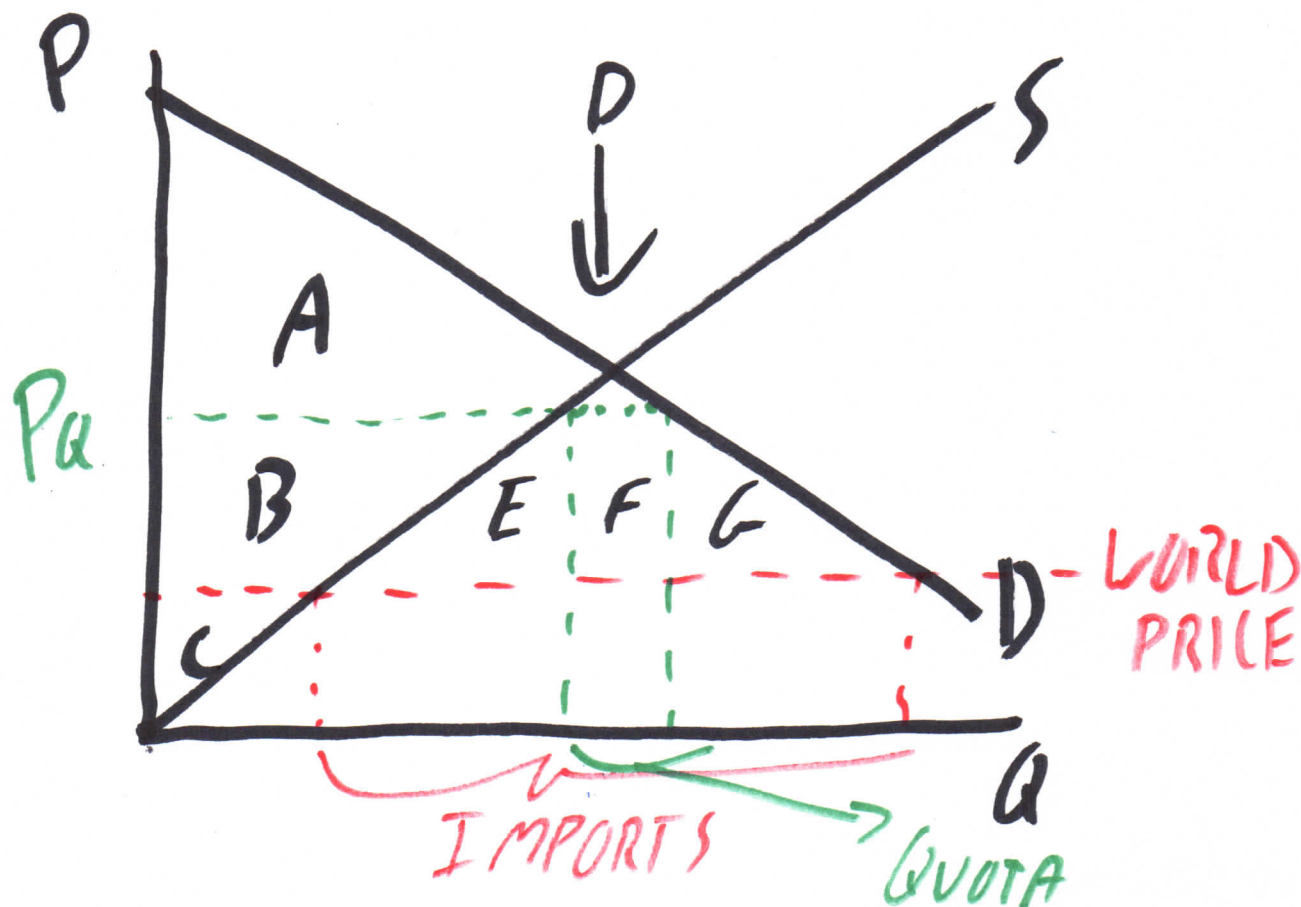


[H.9] NON-TARIFF BARRIERS

IMPORT QUOTAS

- Q LIMIT ON IMPORTS
- POPULAR IN LDC'S
- EASY TO ADMINISTER



NO QUOTA

CS: $A+B+D+E+F+G$

PS: C

QUOTA

CS: $A+D$

PS: $B+C$

DEADWEIGHT LOSS

BUT... F COULD BE TAX REVENUE

IF TARIFF = $P_{Q_{\text{world}}}$ WORLD PRICE

ECONOMISTS PREFER TARIFFS
OVER QUOTAS

VOLUNTARY EXPORT RESTRAINT

- (VERs) - SELF-IMPOSED Q LIMIT
ON EXPORTS

- HEAD OFF WORSE TRADE
BARRIERS

- STATIC ~~THESES~~
LICENSES

- NEW COMPANIES CAN'T
ENTER FOREIGN MARKET

- QUALITY (PRICE) UPGRADING

- PROVIDE OPPORTUNITY TO
RE-TOOL FACTORIES

ECONOMISTS PREFER QUOTAS
OVER VERs

LICENSES

- STATIC LICENSES - RARE
(FIXED FAVORITISM)
- AUCTION ~~THREE~~ LICENSES
 - QUOTA WILL CREATE REVENUE
SIMILAR TO A TARIFF
 - ECONOMIST PREFERRED
 - IN U.S., EU, UK
- APPLICATIONS + SELECTION COMMITTEE
 - IN LDCs, NIE
 - MOST POPULAR

CH. 9 TARIFF-QUOTA

LOW TARIFF RATE FOR LIMITED QUANTITY OF IMPORTS, IF QUANTITY OF IMPORTS RISES ABOVE A THRESHOLD LEVEL THEN A HIGHER TARIFF RATE IS APPLIED

- US METHOD OF RETALIATION AGAINST "UNFAIR" COMPETITION (SECTION 301)

$P < MC = \text{"UNFAIR"}$

PRODUCT STANDARDS - TECHNICAL

STANDARDS - DISCRIMINATE

AGAINST "UNSAFE" PRODUCT OR PACKAGING

- US, EU/UK FOOD LABELING
- EU BEEF IMPORTS
- STARLINK CORN

LOCAL CONTENT REQUIREMENT

(CERTAIN % OF THE FINAL PRODUCT'S CONTENT IS DOMESTIC)

- THREAD IN CFTA TRADE
- (HWA
 - AUTO PARTS (35%)
 - CIGARETTES

GOV'T PROCUREMENT LAWS

- LAWS THAT FAVOR LOCAL PRODUCERS
 - BOEING BEATS AIRBUS
 - MISSILES
 - INDIANA UNEMPLOYMENT OFFICE

COSTS OF PROTECTION

% COST TO GDP

$$= \frac{1}{2} (\text{TARIFF RATE}) \times (\% \text{ LOSS IN IMPORTS}) \\ \times (\text{IMPORT \% OF GDP})$$

+ RETALIATION

+ ENFORCEMENT COSTS

+ LOBBYING (RENT-SEEKING) COSTS

+ FOREIGN UPGRADING

+ LACK OF DOMESTIC INNOVATION
AND INVESTMENT DUE TO LESS
COMPETITION

- DOHA ROUND / WTO NEGOTIATIONS
TO REDUCE TRADE BARRIERS