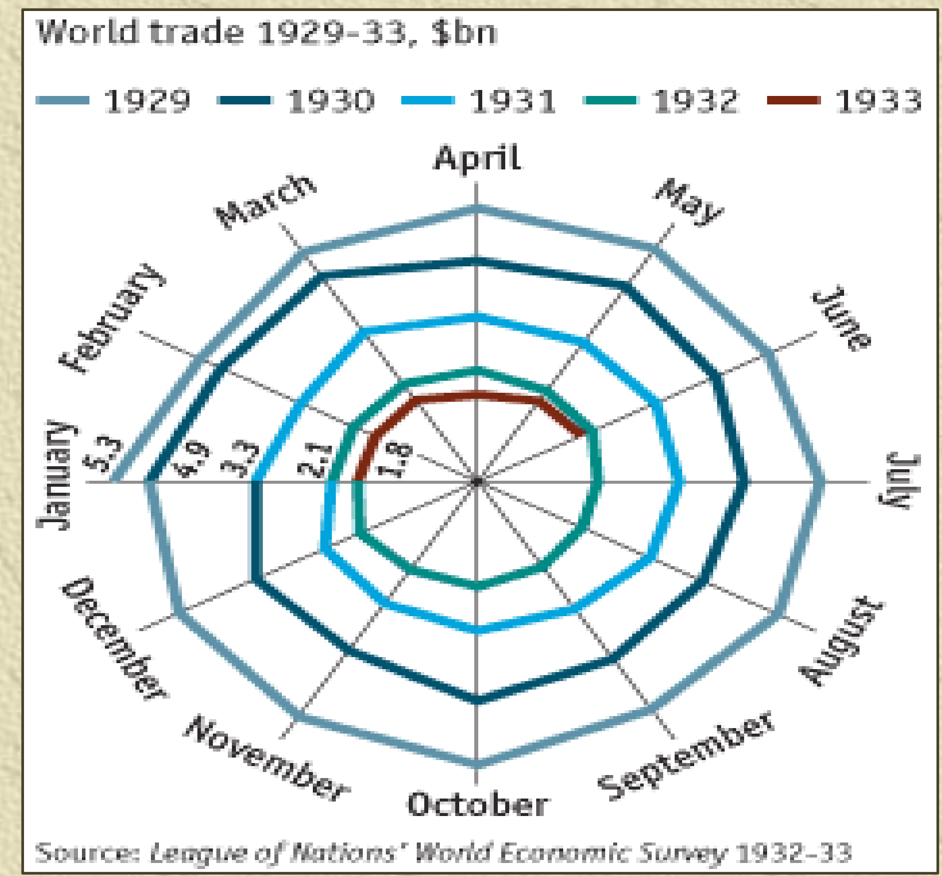
2. Trade Policy under Multilateral Liberalization

2.3 Role of post-war multilateral institutions

- General Agreement on Tariffs and Trade, 1948
  - Accomplishments and limitations
  - World Trade Organization



Source: *Economist*, "Protectionism: The battle of Smoot-Hawley", 18 Dec 2008.

Trade Policy under Multilateral Liberalization

- What is the WTO?
  - Multilateral organization
  - Government-to-government
  - Body dealing with trade rules
  - Forum for holding trade negotiations
  - Settle trade disputes

3. Import Tariffs as a Policy Tool

3.1 Basics of an import tariff

- Definition
- Types
- Objectives

3.2 Tariffs under the WTO

- Rules on import restrictions
  - Tariffs ceilings – maximum rates declared and cuts
  - Tariffs rather than quotas

Import Tariffs, continued . . .

- UR-GATT commitments on trade in goods
  - Industrial goods
    - Commit to tariff ceilings: 99% for DCs and 73% for LDCs
    - ↓ tariffs 40% by DCs (↓ avg of 6.3% to 3.8% over 5yrs)
  - Agricultural goods
    - Commit to tariff ceilings: 100%
    - ↓ tariff: ↓ avg by 36% DCs, 1995-2000; LDCs by 24% over 10 yrs
    - Tariffication (convert quotas to tariff), base yr 1986-88

Import Tariffs, continued . . .

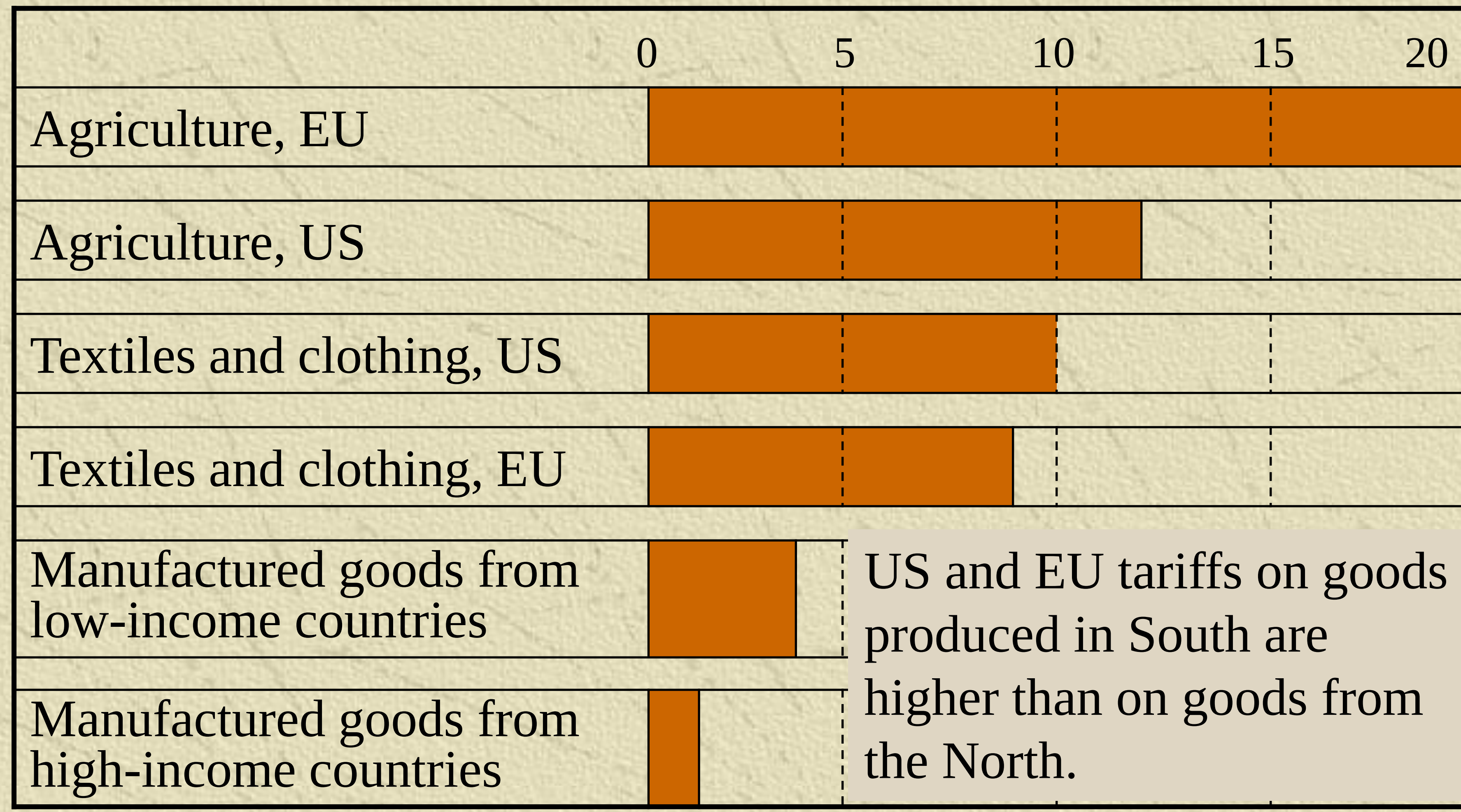
- Example of Norway's market access commitments

Schedule of MA commitments, agriculture – Norway, chapter 2, 4					
Harmonized product code system		Base MFN rate, 1995		Bound MFN rate, 2000	
Code	Product description	kr/kg	%	kr/kg	%
02.01	Bovine meat, fresh or chilled				
.10	Carcasses	37.97	405	32.28	344
02.03	Meat of swine, fresh or chilled				
.11	Carcasses	28.99	428	24.64	363
02.04	Meat of lamb, fresh or chilled				
.10	Carcasses	38.22	505	32.49	429
02.07	Poultry meat (Gallus domesticus)				
.21	Not cut in pieces	30.25	341	25.71	290
04.06	Cheese **Avg cut had to be 36%; 15% min cut taken on meats/fresh cheese**				
.10	Fresh cheese, not fermented	29.03	275	24.68	233
.40	Blue-veined cheese	31.94	302	21.15	257

Source: WTO Schedule XIV, Norway, section 1-A, Tariffs, 1995

Import Tariffs, continued . . .

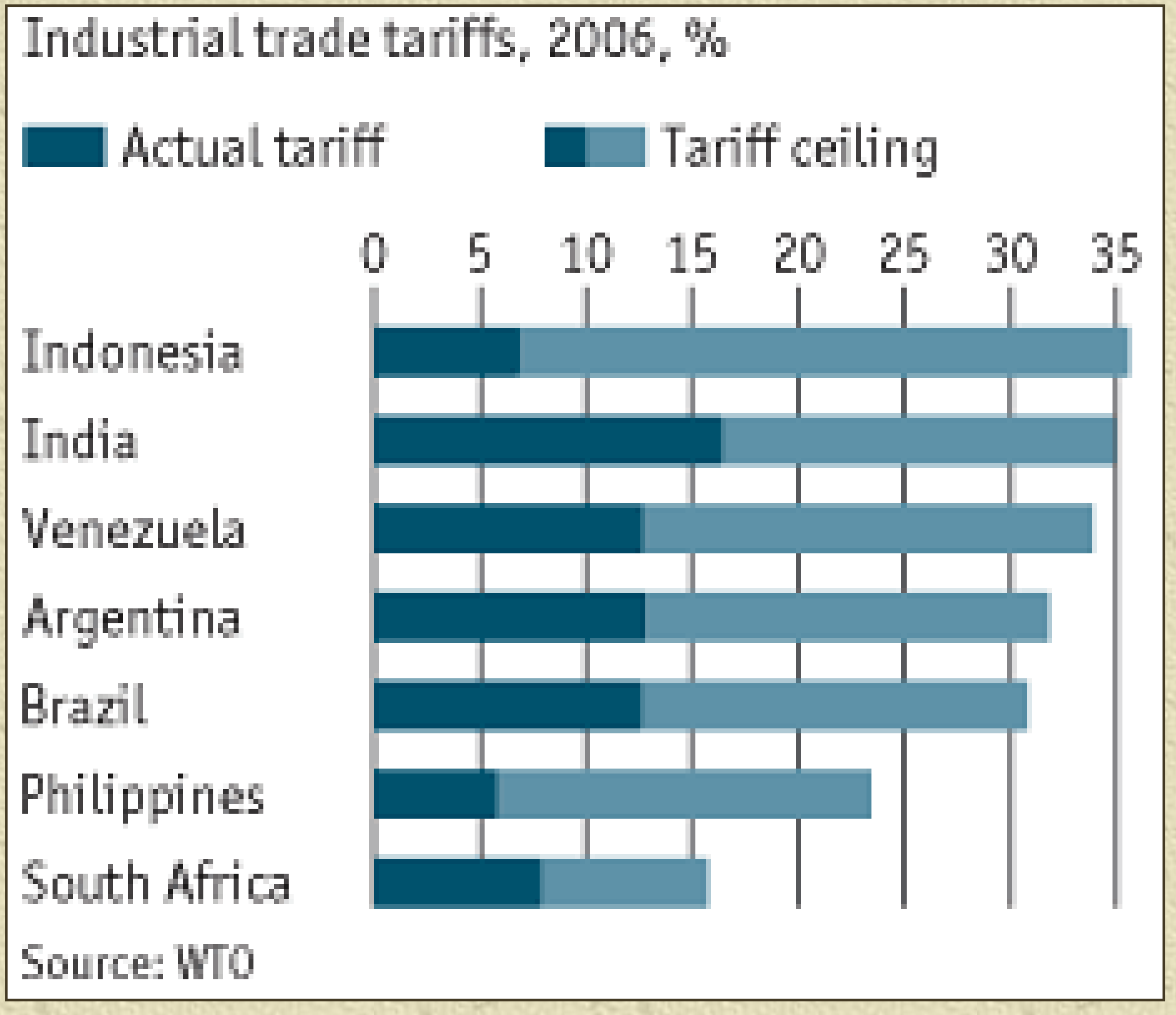
- High-income countries, average tariff rates, %



Source: Oxfam, 2004

Import Tariffs, continued . . .

- Tariffs on manufactured goods, developing countries



Developing countries negotiated high tariff ceilings – so high that they probably never intended to apply those rates. Tariffs can be changed at will which reduces predictability and transparency for trading partners.

Economist, 28 Jun 2007

Import Tariffs, continued …

Applied rates close to the bound rates imply predictability and transparency.

- Distribution of tariff lines by rate, % of total lines, 2016

Selected countries	Agricultural tariff lines					Non-agricultural lines			
	Duty-Free	1-9%	10-24%	25-99%	100%+	Duty-Free	1-9%	10-24%	25%+
Norway									
Bound	28	22	2	5	**42**	52	38	10	0
Applied	**52**	6	9	21	**12**	**95**	1	4	0
Switzerland									
Bound	22	33	10	21	**13**	18	79	2	0
Applied	30	38	9	13	**10**	21	77	2	0
EU-27									
Bound	32	28	26	12	1	28	64	8	0
Applied	32	29	26	11	1	27	66	8	0
Japan									
Bound	34	35	18	9	4	56	41	3	0
Applied	37	35	18	7	2	57	40	3	0
US									
Bound	31	57	8	2	1	29	63	8	0
Applied	31	58	8	2	1	26	65	9	0

Import Tariffs, continued …

Only China was pushed to negotiate predictable/transparent tariff rates.

	Agricultural tariff lines					Non-agricultural lines			
	Duty-Free	1-9%	10-24%	25-99%	100%+	Duty-Free	1-9%	10-24%	25%+
Mexico									
Bound	-	4	12	77	6	0	1	2	97
Applied	18	29	43	6	4	52	25	20	2
Arg-Brazil									
Bound	0 / 3	4 / 4	7 / 7	88 / 89	0	0 / 1	0 / 1	25 / 26	75 / 73
Applied	7	63 / 65	27	2 / 1	0	5	28	52 / 54	15 / 14
China									
Bound	6	33	52	9	0	7	65	27	1
Applied	7	33	50	10	0	7	66	26	1
Kyrgyzstan									
Bound	1	64	34	1	0	22	70	8	0
Applied	9	57	32	2	0	18	64	18	0
India									
Bound	0	1	2	**61**	**36**	3	**0**	**16**	**52**
Applied	5	8	10	75	2	2	88	3	7
Nigeria									
Bound	0	0	0	0	**100**	**0**	**0**	**0**	**7**
Applied	0	**46**	**42**	12	0	3	61	36	0

Import Tariffs, continued . . .

- Tariff revenue, 2001, share of total revenue

Country	share (%)	Country	share (%)
Algeria	12.1	**Madagascar**	53.5
Bangladesh	30.0	**Paraguay**	17.5
Cameroon	31.6	**Philippines**	19.6
Congo, D.R.	33.7	**Sierra Leone**	49.8
Congo, R.	23.2	**Swaziland**	54.7
Dominican Rep.	44.1	**Uganda**	50.3
India	24.1	**Venezuela**	12.1

Source: South Centre, “Revenue implications of WTO NAMA tariff reduction”, Dec 2004
Original data *From World Development Report*, 2003, World Bank

Import Tariffs, continued . . .

- Trade taxes as % of total revenue and tariff rates

Country	Year	Trade tax, % of total tax revenue		Simple avg final bound rates, %			Trade weighted avg tariffs, %		
				2016					
				Tot	Ag	Non-ag	Tot	Ag	Non-ag
Australia	2006	1.86		9.9	3.4	11.0	4.0	2.4	4.1
Switzer	2006	1.11		7.6	45.7	1.9	2.0	29.8	0.7
Norway	2006	0.16		20.1	133.0	3.0	2.8	28.1	0.4
Lesotho	2005	49.46		79.9	199.1	60.1	11.6	13.4	11.1
Argentina	2004	15.82		31.8	32.4	31.7	12.8	12.9	12.8
Krygyz	2006	13.20		7.5	12.7	6.7	7.7	17.9	6.0
Russia	2006	29.17		7.6	11.0	7.1	5.9	12.3	4.8
Ukraine	2006	4.25		5.8	10.9	5.0	2.5	5.4	2.3
US	2006	1.04		3.4	4.8	3.2	2.4	3.8	2.3

Russia: oil accounted for 52% of total tax revenue in 2015.

Sources: Husted & Melvin, *Int'al Economics*, 2013; WTO, Tariff Profiles, 2013; 2016 Russia

4. Import and Export Quotas as a Policy Tool

4.1 Basics of import quota

- Definition
- Types: volume/value
- Objectives
- Economic and political issues
  - Efficiency
  - Economic logic of WTO principles
  - Political administration

4.2 Graphical analysis: trade, economic and welfare effects

Import/Export Quotas as a Policy Tool, … continued

- Experiences with import quotas: case of Norway
  - Total cheese quotas
    - 1995: Duty-free 4 500 ton EU quota
      - 3430 tons licensed thru historical allocation
      - 340 allocated to processors
      - 730 tons by application, 1st come, 1st serve
    - 2011: 2 700 ton EU quota by auction (25,26 kr/kg bid price in 2016)
    - Imports exceeding quota volume subject to 200+% tariffs
    - 2021: 75,000 tons produced in Norway (imports ≈ 15% of consume)
    - https://www.toll.no/en/corporate/import/free-trade/quotas/
  - Voluntary export restraints and orderly marketing arrangements

Source: WTO, *Trade Policy Review: Norway*, doc number WT/TPR/S/373, 23 Apr 2018

Import/Export Quotas as a Policy Tool, … continued

- Tariff-quota equivalence

- Tariff-quota non-equivalence (dynamic context)