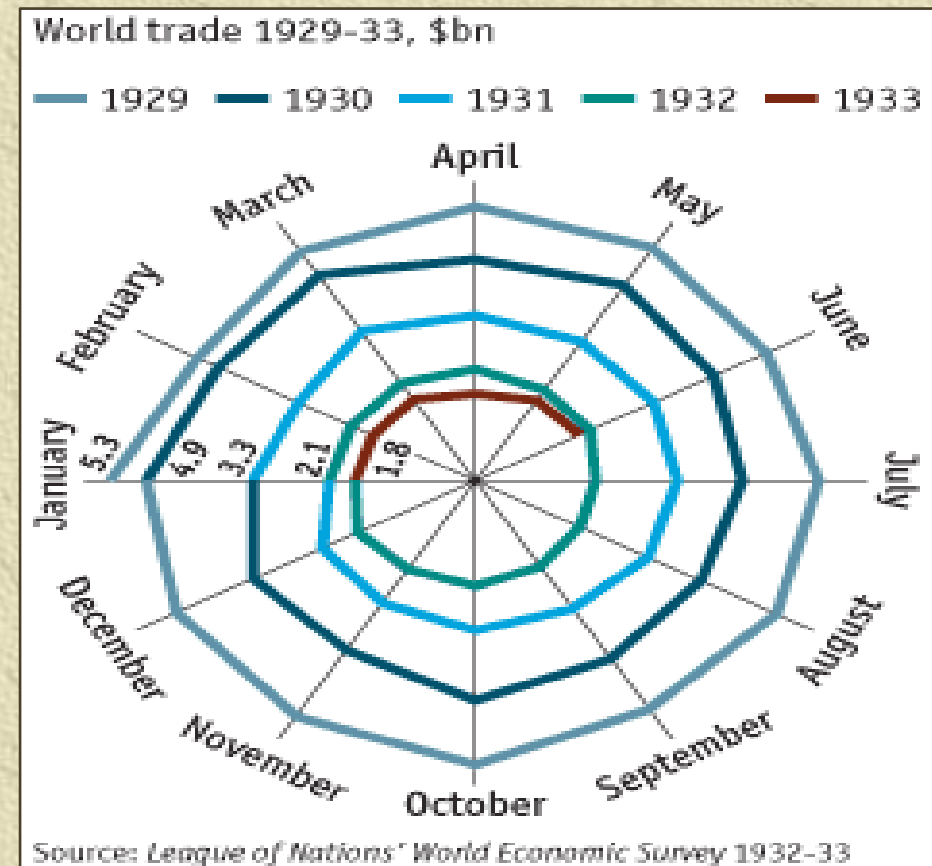


## 2. Trade Policy under Multilateral Liberalization

### 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

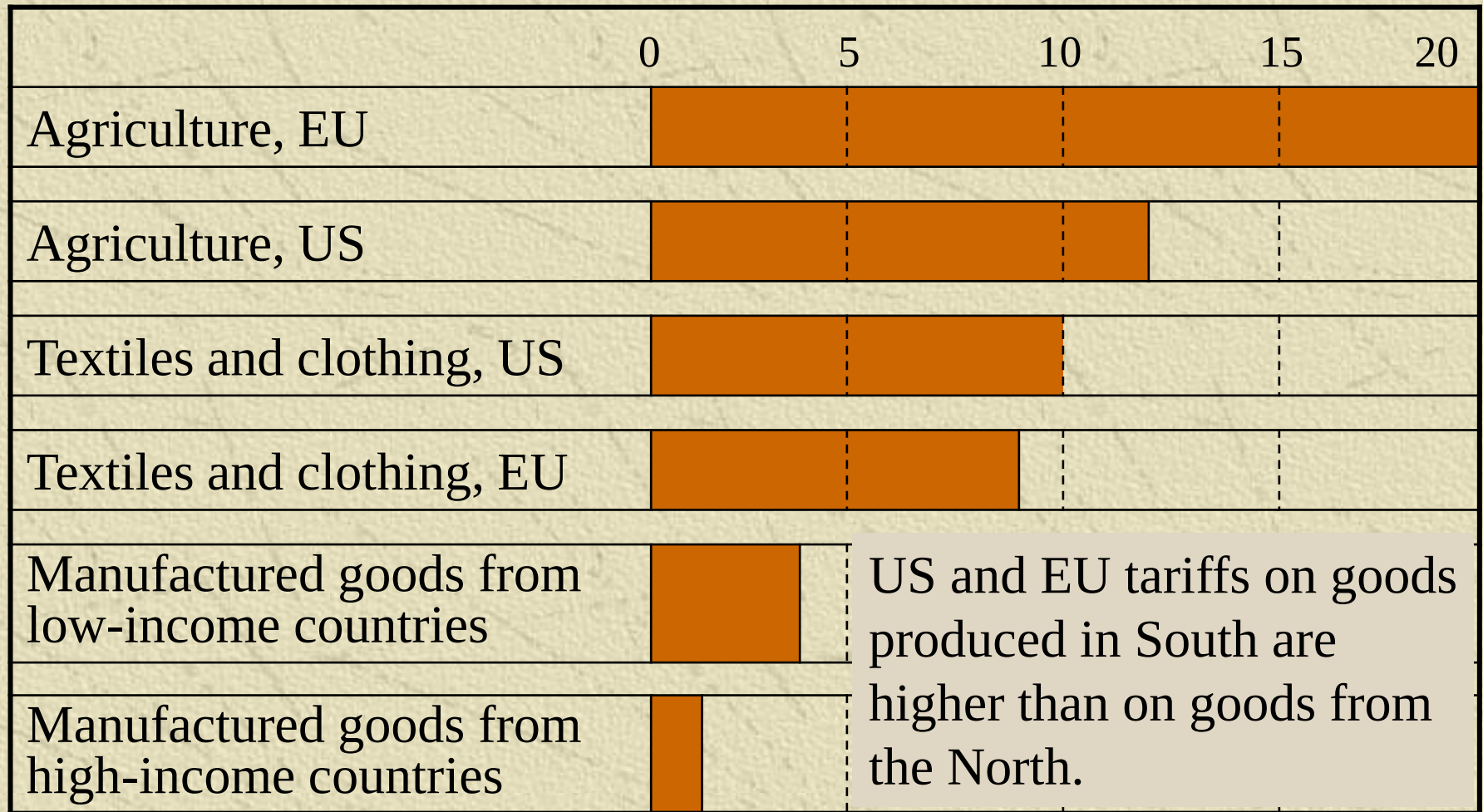
| Schedule of MA commitments, agriculture – Norway, chapter 2, 4 |                                                                              |                     |     |                      |     |
|----------------------------------------------------------------|------------------------------------------------------------------------------|---------------------|-----|----------------------|-----|
| 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 <b>Avg cut had to be 36%; 15% min cut taken on meats/fresh cheese</b> |                     |     |                      |     |
| .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



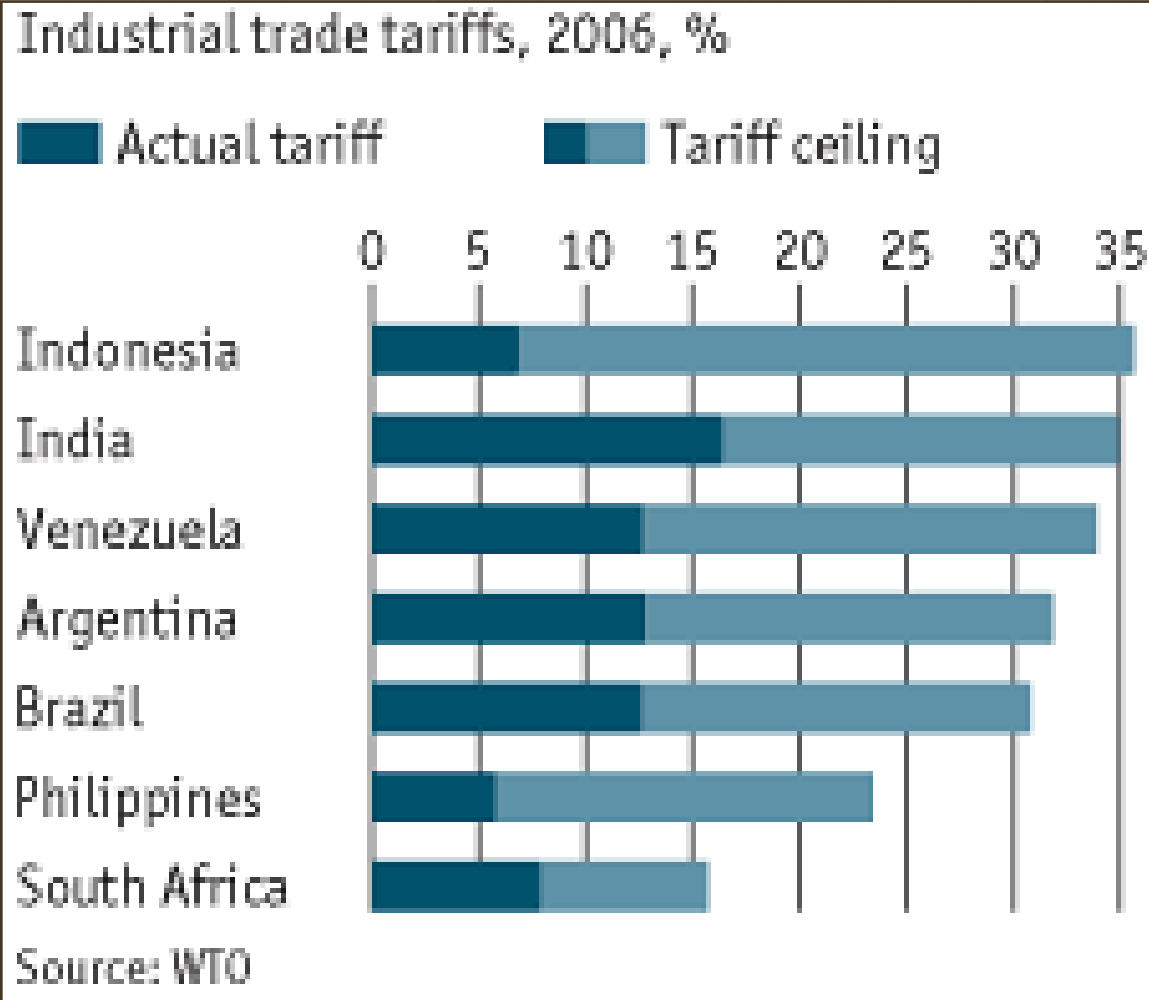
# Import Tariffs, continued . . .

✧ High-income countries, average tariff rates, %



# 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.

# 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 (%) |
|-----------------------|-----------|---------------------|-----------|
| <b>Algeria</b>        | 12.1      | <b>Madagascar</b>   | 53.5      |
| <b>Bangladesh</b>     | 30.0      | <b>Paraguay</b>     | 17.5      |
| <b>Cameroon</b>       | 31.6      | <b>Philippines</b>  | 19.6      |
| <b>Congo, D.R.</b>    | 33.7      | <b>Sierra Leone</b> | 49.8      |
| <b>Congo, R.</b>      | 23.2      | <b>Swaziland</b>    | 54.7      |
| <b>Dominican Rep.</b> | 44.1      | <b>Uganda</b>       | 50.3      |
| <b>India</b>          | 24.1      | <b>Venezuela</b>    | 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

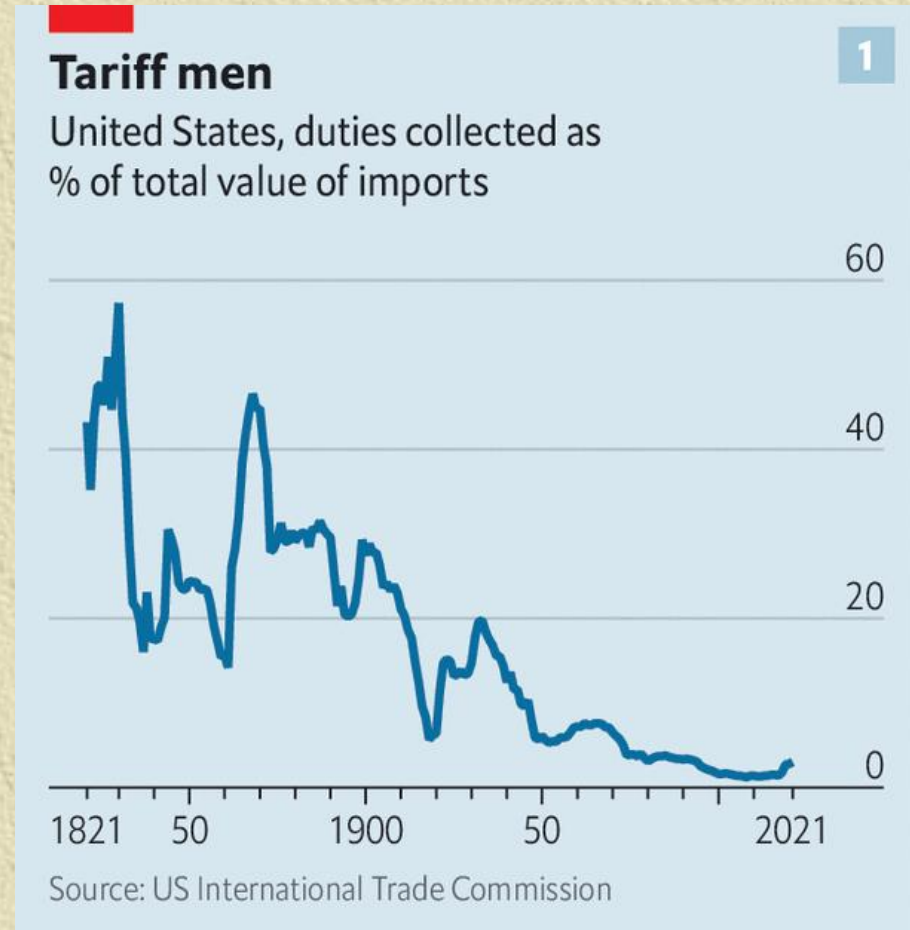
| Country   | Year | Trade tax, % of total tax revenue | Simple avg final bound rates, % |       |        | Trade weighted avg tariffs, % |      |        |
|-----------|------|-----------------------------------|---------------------------------|-------|--------|-------------------------------|------|--------|
|           |      |                                   | 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.

# Import Tariffs, continued . . .

## ◆ US tariffs

Trump's proposal for a universal 10% tariff on imports would bring tariffs on imports back to their highest level since the 1940s.



*Economist*, “American isolationism: Losing their religion”, 28 Oct 2023, p. 38-9.



## 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, 1<sup>st</sup> come, 1<sup>st</sup> 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  $\approx$  15% of consume)
- <https://www.toll.no/en/corporate/import/free-trade/quotas/>

### ✧ Voluntary export restraints and orderly marketing arrangements



# Import/Export Quotas as a Policy Tool, ... continued

- ✧ Tariff-quota equivalence
- ✧ Tariff-quota non-equivalence (dynamic context)