

Econ 340

Lecture 6 Nontariff Barriers

Outline: Nontariff Barriers

- What Are NTBs?
- Quotas
 - Effects Equivalent to Tariffs
 - Who Gets the Rents
- Other NTBs
 - Tariff-Rate Quotas
 - Voluntary Export Restraints (VERs)
 - Variable Levies
 - Government Procurement Regulations
 - Customs Procedures
 - Standards
 - Unfair Trade Laws
 - Export taxes
- Subsidies

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What Are NTBs?

- What Are They?
 - Any institutional or policy arrangement that interferes with trade, other than tariffs
 - Term NTB is also used more broadly to include policies that artificially expand trade
 - e.g., Export subsidy
 - Sometimes called "Nontariff Measures" (NTMs)
- Main Types of NTB
 - See outline above

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We'll go through some of these individually

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Quotas

- Definition: An import quota is a direct restriction on the quantity of an import
 - E.g., US might limit the imports of steel to some number of tons per year
 - Until Jan 1, 2005, US and EU had elaborate import quotas on many textile and apparel products from developing countries
 - We still have quotas on many agricultural products, e.g., sugar, cheddar cheese, dried milk, etc

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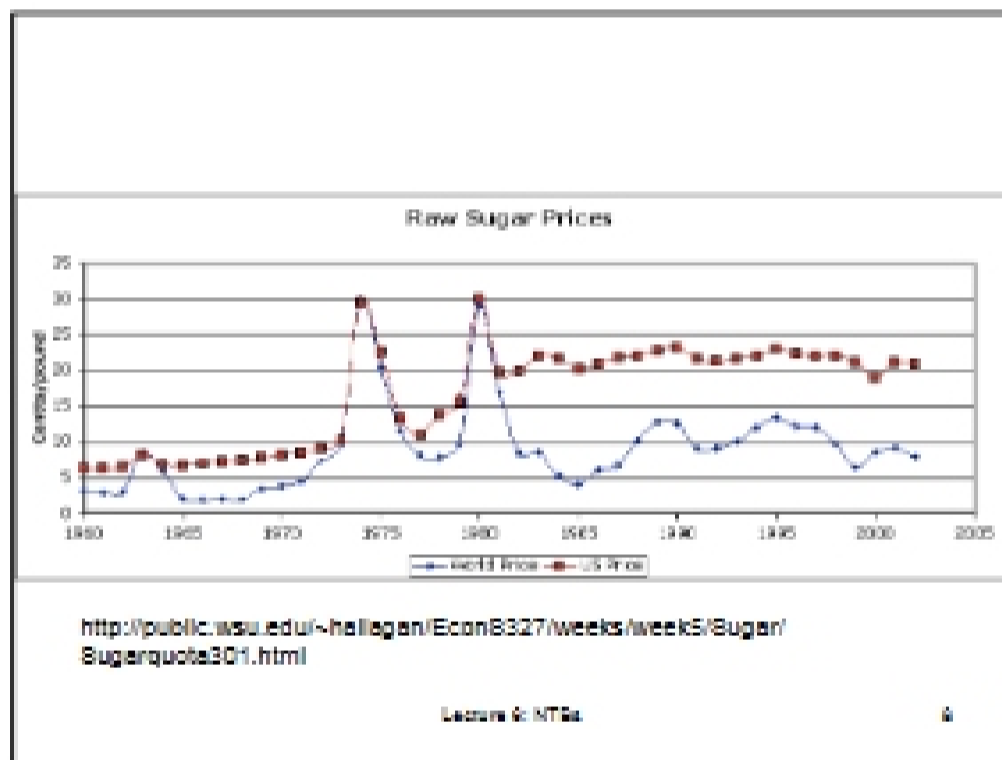
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Quotas

- Effects of a quota
 - If permitted quantity is above what would be imported anyway, then no effect at all. (True only with perfect competition)
 - Otherwise, quota creates scarcity and raises price
 - Quota raises domestic price above world price
 - For market to clear, domestic price must rise to the point that desired imports equal the quota
 - See this with supply and demand
 - First note example of US quota on sugar..

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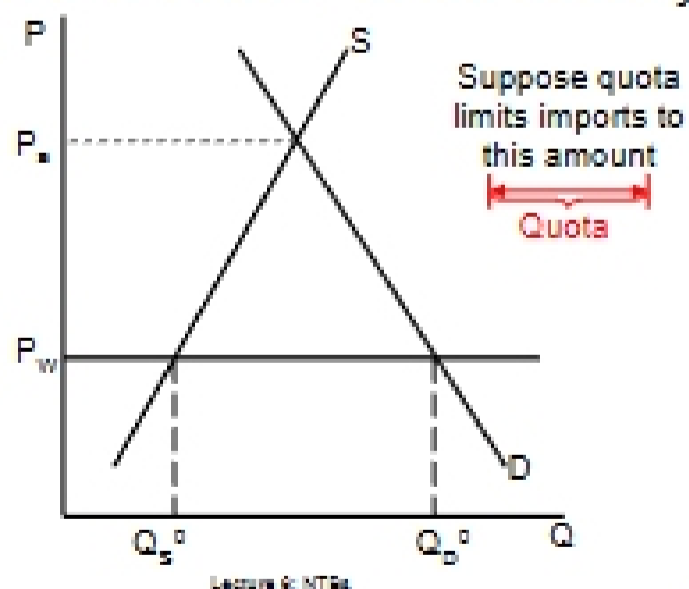
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Effects of a Quota: Small Country



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