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ECONOMIC ASPECTS OF "VOLUNTARY" EXPORT RESTRAINTS

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ECONOMIC ASPECTS OF "VOLUNTARY" EXPORT RESTRAINTS

I. Introduction

During the last ten years protectionism has spread and has increasingly taken the form of so called "voluntary" export restraints (VERs). The purpose of this paper is briefly to examine this form of trade barrier and its effects. The focus is on aspects that are peculiar to VERs and it is assumed that the reader is familiar with standard analysis of tariffs. (An overview of basic principles can be found in Ethier (1983) or Greenaway 1983, Ch. 3)

At present VERs limit developing countries' exports of clothing to Western Europe and North America, Japanese passenger car exports to Germany, France, Italy, UK and USA, Japanese and European steel exports to USA, Asian exports of consumer electronics to several developed countries and, finally, a few agricultural commodities are affected like Thai exports to the EC of feedstuff (cassava). (Wolf (1983), Cohen (1983), Walter (1983), Bale and Koester (1983)).

Protectionist measures in the field of textiles and clothing were introduced as early as the 1930s, primarily directed against Japan by countries in Western Europe and North America. E.g. in 1935 the Japanese industry "voluntarily" agreed to restrict its exports to the US. After World War II imports from Japan were still restricted and since the early 1960s world trade in textiles and clothing has been regulated by successive international agreements. These agreements have been protectionist in the sense that they have prevented free trade but up to the mid 1970s for some importing and some exporting countries the agreements may in fact have resulted in larger traded volumes than would otherwise have

been the case [Wolf (1983)]. However, since 1977 with the introduction of the second Multifibre Arrangement (MFAII) the European countries in particular have tightened their protection against imports from developing countries (not from each other and North America, however!). The aim stated in MFAII was a yearly increase of imports of 6 per cent per year but this provision has been almost a dead letter since 1977. The 1981 renewal of the MFA meant even more tight European protection of domestic markets. Existing VER quotas of major developing country suppliers were cut back. In MFAII the US allowed growth in restricted imports of 2.2 per cent annually but with MFA III - i.e. since 1982 - growth of only 0.5 per cent annually has been allowed on 2/3 of the textile and clothing items and no more than 2 per cent annually on the others. A new round of negotiations on world textile and clothing trade takes place during 1985 possibly resulting in a MFA IV.

Protection in steel is more recent than in textiles and clothing. In 1968 through 1974 the United States imposed VERs on imports of Japanese and European steel. Then again in 1976 a "trigger price mechanism" was introduced protecting the US steel industry against imports sold in the US below a stated reference price based on estimates of cost of production in Japan. In addition there seems to have been a tacit US-Japanese agreement since the late 1970s limiting Japanese steel exports to the US. As a result of the higher prices in the US and the protection against Japanese competition, the European steel producers found the US market attractive. The US steel industry subsequently pressed for VERs on European exports which they also got in late 1982. Since then further and tighter VERs on European steel

exports to the US have been introduced or are suggested. The Europeans in their past protected their steel production during the 1970s by way of often massive government subsidies to obsolete steel plants (UK, France, Belgium and parts of the Italian and Swedish industries). As a result of excess supply problems in Europe and the fact that Europeans have had to restrict their exports to the US, the EC has implemented controls of imports, prices and production of steel in Europe passing on the protectionist consequences to countries like Brazil, Mexico, Taiwan and South Korea [Walter (1983)].

The most recent major protected industrial sector is automobiles. In 1981 the US introduced voluntary export restraints on imports of cars from Japan. This measure was soon followed by protection of the German auto industry, fearing Japanese "dumping" on the German market. However, even before the 1981 US VER on Japanese cars "highly protective regimes existed in Italy, France and the United Kingdom" [Cohen (1983)].

Newly industrialised countries are particularly hit by VERs and other quantitative restrictions. Table 1 is an illustration of the case of South Korea.

II. What is a VER?

A voluntary export restraint is the outcome of a negotiation between two governments resulting in the exporting country limiting its export supply to the importing country. The agreement is not voluntary in the normal sense of the word but nevertheless often preferred by exporting countries to alternative forms of trade barriers, e.g. tariffs and import quotas, which the importing country implicitly or explicitly threatens to use.

It is sometimes useful to consider a protectionist measure as a set of constraints imposed on the free flow of international trade. Thus a VER is a measure by which the importing home country imposes an upper limit on foreign supply (constraint I) defined by commodity category (II), defined by source of supply (III), defined in volume rather than value terms (IV) and defined to cover a stated period (V). In addition, the exporting country administers the restriction on export supply.

In comparison, a tariff also limits foreign supply. A tariff is defined by commodity group and such a commodity group is typically more narrowly defined than a commodity category covered by a VER. A tariff is not defined by source if it is a most favoured nation (MFN) tariff but is defined by source if it is a preferential tariff. However, a preferential tariff is very rarely export country specific like a VER always is. Typically a tariff is defined as a percentage of the value of goods imported (ad valorem tariff) and is not related to the volume of the traded goods like the typical VER. Finally, a tariff is usually permanently imposed. The importing country administers the tariff and collects the tariff revenue.

In the next section the importing country is analysed and later on the exporting country.

III. The import side

In Figure 7.1 is depicted the market for one good in the importing country. The home country supply curve is $S_h S'_h$. To simplify we lump together the world and treat it as one entity with supply curve $S_w S'_w$ (in world supply the home country's supply is included). With free trade at the world market price p_0 the volume

consumed is OQ_0 and this volume can be split in two parts, OQ_1 which is produced domestically and Q_1Q_0 which is imported. Suppose a VER is introduced limiting the import volume allowed to $Q_2Q_3 < Q_1Q_0$. The good becomes more scarce in the home-country and its price rises from p_0 to p_1 . In the world as a whole it is easy to imagine that as a result there will be excess capacity forcing foreign production to be reduced with the remaining producers willing to supply at a lower price than before, i.e. the supply price falls to p_2 .

Domestic production increases from Q_1 to Q_2 which may have been the government's motive for introducing the VER. Who captures the difference between the higher domestic price p_1 and the lower world supply price p_2 ? Imagine the situation in the foreign country. Foreign producers can observe how the domestic price in the importing country rises due to the VER. In this simple framework, producers are always interested in selling at the highest possible price. Thus there is no reason for foreigners to sell to the importing country at any price below p_1 .

Remember that it is the exporting country that administers the implementation of the export restriction. Thus in the simple case the rent income corresponding to the shaded area accrues to the exporting country.

The fact that the rent from VER protection partly accrues to the exporting country is likely to be one important reason for exporting countries' preference for this protectionist measure rather than e.g. a tariff or an import quota. There the whole rent income accrues to residents - but not necessarily citizens! - of the importing country. Another important reason for the usage of VERs rather than tariffs and import quotas is that GATT rules more or less forbid import quotas and increases in tariffs.¹ Also an exporting country prefers VERs because VERs give it an option

every few years to pressure the importing country to eliminate the restriction or at least change or relax the definition of VER categories so as to better fit in with the export mix of the exporting country. On these issues see Jones (1984).

Figure 7.1 is of course a simplification, and some complications should be noted: (1) VERs are typically used on top of tariffs and the total trade barrier is then a combination of a tariff and the VER.

(2) Figure 7.1 shows a situation when the domestically produced and the imported good are perfect substitutes in consumption. This may not always be true, of course, but does not change the essence of the analysis. E.g. US and imported Japanese cars are not perfect substitutes in consumption but a VER on Japanese cars still protects US production indirectly by driving up the price of the imperfect substitute (for an analysis with two imperfect substitutes see Corden (1971)).

(3) In Figure 7.1 the world supply curve is upward sloping. This implies that the home country's decision to restrict trade affects the world supply price in this market (it falls from p_0 to p_2). However, the importing country may instead be a small country and its commercial policy decision has an insignificant impact on the world market price (e.g. a Nordic country).

The wedge between the domestic price and the export supply price can be expressed as $p_1 p_2 / p_2$ and is then called the ad valorem tariff equivalent of the VER. The idea behind this labelling is that the same import reduction as the VER causes could alternatively have been achieved by an ad valorem tariff equal to $p_1 p_2 / p_2$.

That tariff rate would have given rise to a tariff revenue equal to the shaded area and would have called forth domestic supply, reduced domestic demand, caused imports to fall to Q_2Q_3 and the world supply price to fall to P_2 .² In Table 7.2 the combination of tariffs and import tariff equivalents is illustrated with clothing imported 1981-82 to Europe and USA from Hong Kong.

Members of the EC have a common external tariff against Hong Kong as they are members of a customs union while EFTA members have different tariffs as they belong to a free trade area. The USA, EC members collectively, and EFTA members individually each negotiate a bilateral three to four years' agreement with Hong Kong, stating exactly for a large number of commodity categories (EC:114 categories plus sub-categories, USA:108 categories) the different export quantities allowed per subperiod within the overall period; rules for substitution between commodity categories and for substitution between periods; export control certificates, etc.³ Table 7.2 is based on average figures for the 8-12 most important clothing categories.

IV. Effects on the trade pattern

A VER is a source-specific trade barrier affecting some sources of supply but very rarely all possible sources. This is particularly important to note when it comes to VERs applied by members of a customs union (like EC) and a free trade area (like EFTA). In this section we will analyse the effect of VERs on the trade pattern.

We assume that there are three countries in the world: Firstly an importing home country, secondly a partner country being a member of the same free trade area as the home country, and thirdly an outside country (rest of the world).

Suppose the home country government has as a target a given volume of domestic production, e.g. for perceived employment reasons. To achieve this, the home country chooses to use neither direct subsidies nor tariffs but a restriction on foreign supply in the form of a VER. The home country's reduction of imports hits the outside country only while the partner maintains free access to the home country market. In Figure 7.2 is shown the aggregated supply curve of the home country and the partner country as S_{hp} , S'_{hp} , and the home country's demand curve is D_h , D'_h . In order to make the graphical presentation clearer we assume that the home country is small and that the world market price remains unchanged (cf. (3) above). In free trade OQ_1 is produced domestically, Q_1Q_0 imported, of which Q_1Q_2 from the partner. Assume that the government wants to increase domestic production to OQ_2 . The target is achieved by restricting imports to Q_2Q_3 by a VER on the outside country limiting imports from that country to df .

Efficiency aspect: (1) Comparison with free trade: In spite of the overall reduction of imports, imports from the partner country increase not only as a share of home country imports but also in absolute terms. Imports from the partner are shown as bd , larger than bc , imports from the partner under free trade. The stimulated import increase from the partner is cd . (TT' is parallel to S_h , S'_h). The global resource allocation loss due to the VER is edk .

(2) Comparison with a global supply restriction: With a global supply restriction (e.g. tariff or import quota) and assuming a proportional reduction in imports among sources of supply, i.e. the partner and outside country keeping their shares

of imports unchanged, imports from the partner would be found to the left of c.

Rent income aspect: Regardless of the kind of trade barrier, home country producers increase their surplus by $p_0 p_1 ba$. The partner increases his surplus on existing exports by $ab'be$ which is equal to $abce$. The partner's surplus on the increased exports is cde . The partner's total surplus increase is $abde$. With a voluntary export restraint limiting imports to df from the outside country, and the rent income going to exporters, the outside country gains rent income corresponding to the shaded area.

Most members of the EC and EFTA have voluntary export restraints against outside countries e.g. on clothing. This has encouraged exports of clothing from Italy and Finland to their partners in the EC and EFTA. This is a phenomenon known as trade diversion i.e. the replacement of imports from a low cost source with imports from a higher cost source.

The US textile and clothing industry has earlier proven quite competitive in some commodities - blue jeans! - in Europe. Had the US received the same treatment as many developing countries, US exports would have been subject to import quotas or voluntary export restraints. No trade barriers except tariffs vis-a-vis US exist in Europe, however. Thus for foreign policy reasons, Europe as a home country treats the US as a trading club partner facing tariffs but not quotas or VERs.

Not all developing countries are subject to export restraints on clothing, consumer electronics, etc. Examples are the very latest exporters and, of course, potential exporters.

The situation of these countries can be regarded as that of a temporary partner in a trade club with established developing country exporters being the outside country. However, if successful in exporting, a late coming exporter also is likely to become subject to VERs.

Actions taken against Japanese exports, for example, have had effects on trade patterns, encouraging exports from non-restrained developing countries. "The orderly market agreement instituted in 1976, which limited colour TV imports from Japan (to USA) was a strong stimulus to TV exporters from South Korea and Taiwan" (Wortzel and Wortzel (1979), p. 20) and made it possible for developing countries generally to raise their export prices (p. 22). This effect of VERs in stimulating industrialisation and exports from more developing countries ("quota jumping") is often regarded as a favourable effect, (although the same effect could arguably be achieved more efficiently and more effectively by the deployment of other instruments).

V. Upgrading

The typical VER is defined in physical units of a commodity category, e.g. number of cars or tons of meat. Within each commodity category there are often different grades or qualities with different world market prices. As the VER is defined in physical units, the price increase in money terms due to the VER will be equal for all units within the same commodity category regardless of grade. As a result a high cost grade or a high quality variety within a commodity category will have a lower ad valorem VER-tariff-equivalent than the low cost grade. Consider the following example:

<u>Grade</u>	<u>World market price per physical unit</u>	<u>VER-rent per physical unit</u>	<u>Ad valorem tariff equiva- lent of the VER</u>
High cost grade	£100	£5	$\frac{5}{100}$ or 5 %
Low cost grade	£ 50	£5	$\frac{5}{50}$ or 10 %

From the exporter's view it is then rational to gear his export mix of different grades towards more of those with the lower ad valorem VER-tariff equivalents. This means a tendency towards higher quality and more sophisticated exports. This effect of VERs has been given the label upgrading, or trading up.

Upgrading is often mentioned as one effect of VERs (Keesing and Wolf (1980), Lin and Mok (1980)). However, Feenstra (1984) is probably the only detailed empirical investigation so far. Feenstra considers imports of Japanese passenger cars to USA 1980-81 with and without the US VER. The price increase of Japanese cars on the US market is split into three parts: that which is due to inflation, the tariff equivalent of the VER and that which is due to improved quality. Having corrected for inflation, 2/3 of the price increase is attributed to the fact that imported Japanese cars were upgraded in quality, e.g. they become longer and heavier, had increased horsepower, more automatic transmissions, etc. Consumers received a quality increase in return for 2/3 of the price increase but note that this quality upgrading was not necessarily something that was wanted by consumers. Indeed, had they asked for quality improvements in the earlier situation without the VER on imported cars, one would expect producers then to have already satisfied such

consumer preferences in return for a higher price no doubt. Thus the net welfare change of consumers is ambiguous even if the price had only increased by 2/3 of the actual rise.

VI. The exporting side

In Figure 7.3 one market in an exporting country is depicted. Competitive producers have the export supply curve SS' and the demand for exports curve is DD' . Again to simplify matters we assume there are only two countries, an exporting and an importing one. In free trade the quantity OR is exported at price p_0 . Now suppose a VER is imposed limiting the export volume to OQ and changing the export supply curve into SaS'' . The price rises to p_1 and the supply price falls to p_2 . The price difference per unit is p_2p_1 and the ensuing rent income is represented by the shaded area. (Thus a rent income can be illustrated either on the import side as in Figure 7.1 or on the export side as in Figure 7.3.)

The shaded area reflects the value of having access to the foreign market and p_2p_1 can be looked upon as the scarcity value of an "entrance ticket" to the export market. Because VERs are administered by the exporting country the rent income normally accrues to the exporting country.

In table 7.3 is shown as an illustration an estimate of the VER-rent income to Hong Kong, Thailand, Indonesia and Malaysia from some West European countries and USA 1981-82. In Hong Kong there is a market for "entrance tickets" to different export markets for clothing, and to arrive at the estimates of Table 7.3, the price of "entrance tickets", $p_1 p_2$, was collected from

specialized brokers in "entrance tickets". Armed with these prices it was then possible to estimate the Hong Kong rent income. Estimated rent incomes to three other Asian exporters are also shown. The rent income to Hong Kong corresponded to approximately one per cent of the city state's GDP 1981-82 or 16 percent of the Hong Kong clothing industry's value added. However, a minor part of the rent income does not accrue to Hong Kong nationals as some exporting firms are owned by importing country nationals.

VII. Allocation of "entrance tickets" to export markets.

In the exporting country there must be some sort of ~~mechanism for allocating among potential exporters the valuable~~ "entrance tickets" to foreign markets, i.e. export licences. In principle there are two approaches: the price mechanism with market prices for licences, i.e. auctioning off licences and allowing ongoing trade in licences, or, on the other hand, an administrative decision-making process with civil servants deciding how large an export volume ("quota") applicants should receive and when. In a second step trade in export licences could be allowed. However, the typical procedure is that there is no auctioning and no legally sanctioned trade.

Transferability and efficiency

A constraint imposed on transferability of licences between firms is likely to lead to an inefficient use of resources and underutilization of quota volumes.

Firstly, if there is auctioning of export licences and firms have different supply prices, the firms with the lowest supply prices will be the ones which are willing to pay most for

an export licence. Think of the export supply curve as depicting rising production costs of a succession of increasingly inefficient small firms as we move to the right (Figure 7.3). The more efficient firms offer to export at prices below p_2 along S_a . The higher cost firms - i.e. the less efficient ones - offering to export at prices above p_2 will turn to their domestic market or close down and factors of production used in these firms can then be employed productively elsewhere - allowing for an adjustment period.

Secondly, suppose there is no auction of export licences but "past performance" criteria are used in a first round of government allocation of export licences. Then after the first allocation has been made, transferability is still desirable. This can be seen by assuming that transferability is not allowed. Because of the export restriction each firm would then have to cut back its export volume proportionally. If firms originally produced at a cost minimizing scale, each one of them would now have to back up its average cost curve producing at a suboptimal scale. However, had trade in licences been allowed, some firms would have sold their allocations of licences, closed down, and factors of production would be freed for alternative employment. The firms which buy the licences could stay in business maintaining production at the original cost minimizing output level. Clearly this argument is more important for industries where economies of scale are substantial, like automobiles and steel, and less so for clothing.

Thirdly, not permitting trade in licences and using "past performance" criteria results in new and more efficient producers

being discriminated against for the simple reason that they have no past record of export performance to refer to when applying for free government allocation of export licences. However, if trade in licences was allowed, a new firm which is more efficient than existing ones would be prepared to pay a higher price in the market for licences than existing, less efficient firms. Thus restricting trade in licences provides a breeding ground for inefficiency and high cost production just like other forms of protection - in this case protection against the entrance of more efficient domestic firms.

Transferability and rents

~~If the licences are auctioned by the exporting country~~

government the rent income is captured by this government. If the government allocates the export licences free of charge to a group of exporters, e.g. according to "past performance", it is this group of original receivers of licences which captures the rent income. Because there are often large incomes to be gained from receiving licences free from the government, existing exporters form a special interest group which has a strong incentive to oppose any change in existing allocation rules when based on past performance. Further, the use of administrative criteria can provide huge incentives for bribes of civil servants and offering politicians "gains" in the political marketplace in return for an increased allocation of licences and no changes in rules favourable to the special interest group.

Prohibition of trade in licences between exporters also reduces an exporting country's ability fully to utilize its given quota volumes.

As far as the author is aware, government auctions of licences have been tried only with regard to clothing in Taiwan.

The typical approach is that governments hand out licences according to some sort of "past performance" criteria or leave it to an industry cartel to sort out who should get what out of the limited export volumes. Trade in licences is typically not allowed. However, in Hong Kong trade in textile and clothing licences is permitted once the original "past performance" allocation has been made. In addition, there are usually very complex and discriminating rules regulating entrance of new exporters.

VIII. Monopoly

Considering the exporting country, we assumed implicitly in Figure 7.3 that there is competition among exporters. However, even if this is a correct description of the situation before a VER is imposed, the VER itself may induce the creation of an export cartel. This is particularly so when there is no auctioning system for licences, when there is limited or no entry for new exporting firms and "past performance" is the criteria for allocating licences. A cartel must be instituted if it is left to the industry itself to decide on the licence allocation. For the profit maximizing cartels it can be rational to export less than the volume stated in the VER agreement. The mechanism is in principle no different from that in standard analysis of an output restricting monopoly. Then the fall in exports can have two elements: first, the fall imposed directly by the VER, and second, a fall imposed indirectly by the VER through its inducing of an exporters' cartel. Perhaps one could regard existing exporting country penalties for unused export licences as a way to force export cartels to export larger volumes than they would do from pure profit maximizing behaviour. Typical penalties for "non-performing exporters" involve reduced free allocations to established exporters of export licences next period (Hamilton 1985).

IX The Political Economy of VERs

Compared to other instruments of protection it seems difficult to understand from an economic point of view why VERs are used and not tariffs and quotas. E.g. with both tariffs and quotas the rent stays in the importing country, VERs are selective and do not cover all sources of supply and the importing country government must always be prepared to strike out at new suppliers. In addition VERs have the standard disadvantages of a quantitative restriction compared to an ad valorem tariff. What is then the explanation for governments' revealed preference for VERs over import quotas and tariffs?

1. Members of GATT have agreed not to use quantitative import restrictions and discriminatory quotas and tariffs. By having the restriction on the export side through a VER, members of GATT avoid a clash with the letter of the GATT rules they have signed although VERs in effect clash with the spirit of GATT, of course. By restricting the possibilities of using traditional protectionist measures new ones are stimulated to appear, it seems.

2. As was noted in the previous section, a special interest group is induced in the exporting country by the VER. This group presumably acts as a pressure group in the exporting country to maintain its rent income from a VER. In this way the rent transferred to the exporting country can reduce the exporting country government's opposition to the VER, and from the importing country's point of view the rent transfer reduces the risk for retaliation and foreign policy frictions.

3. VERs are typically very easy to implement from a political point of view. "While direct import restrictions such as tariffs and quotas must be implemented through legislative (U.S.) or highly visible administrative (EC) channels, a VER can be negotiated in secret, unhindered by open political process and public scrutiny.", Jones (1984, p. 87).

4. Two groups are hurt by VERs but they are both poorly organised as pressure groups for free trade. (a) Consumers are hit by restriction on foreign supply, but to each consumer the protected good is only one among many goods in his consumption basket and to the typical consumer the cost increase caused by a VER is perceived to constitute a fairly small part of his income. Even if the cost increase is not small it seems to be difficult for consumers to visualize and act upon an abstract alternative of reduced prices. Producers, on the other hand, receive the bulk of their income from the one good they produce - i.e. the price means a lot more to their total income compared to the influence of protection on one consumer's cost of consumption of the same good. The pay-off to the producers from forming a protectionist pressure group could be substantial and well cover the cost of organizing an often rather small number of firms threatened by import competition. A large number of consumers with disparate main interests in life are much more costly to organise than producers and to each one of them the pay-off from liberalisation is probably perceived as abstract and fairly small.

(b) Late-coming exporters are also hit by VERs. Importing countries typically allocate quotas among possible sources of supply by "past performance" criteria. As a result late-coming exporters are "locked in" at low levels of exports. These countries are typically small and often developing ones so they would have a weak bargaining position if they were to try to get increased access to importing country markets at the expense of domestic producers and already-established foreign suppliers subject to VERs with comparatively generous quotas.

~~Summing up: the political economy of protectionism seems to~~
work in the direction of VERs because of present GATT rules banning traditional forms of protectionism and due to the asymmetric bargaining strength of groups having opposite interests for and against protectionism.

X Concluding comments

Are VERs here to stay? Clearly the answer to that question depends very much upon the level of economic activity up to the year 2000. If there is an economic climate of growth, falling unemployment, healthy profits etc. the protectionist sentiments will be much weaker and VERs may be quietly abolished as labour and capital are reallocated to expanding parts of the private sector or to a growing public sector.

However, if VERs become a regular instrument used year in and year out the question arises whether it would not then be preferable to increase some tariffs in exchange for an abolish-

ment of VERs, and in effect temporarily accept the overall level of today's protectionism until the day comes when it can be rolled back.

Footnotes

- 1) Certain GATT clauses do permit the temporary use of import quotas under certain circumstances, e.g. in the event of a balance of payments 'crisis'.
 - 2) There is an additional assumption here that the income effect of the different distribution of rent from protection - either tariff revenue or VER-rent to foreigners - can be ignored.
 - 3) The detailed level of description involved in the definition of categories can be illustrated by two typical examples: "Stockings, under stockings, socks, ankle-socks, sockettes and the like, knitted or crocheted, not elastic nor rubberized, other than women's stockings of synthetic textile fibres" (EC category 12), and "Womens', girls' infants' woven bath robes, dressing gowns, bed jackets and similar indoor wear and other garments except garments of categories 6, 7, 15A, 15B, 21, 26, 27, 29, 76 and 80" (EC category 81).
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Further readings

Note: All works mentioned below are in addition to those given in the list of references above.

1. Journals to consult include

- a) Journal of Economic Literature contains references to all recent articles in economics organised in subject categories, e.g. trade policy.
- b) The World Economy (London) a non-technical and very policy oriented journal
- c) Weltwirtschaftliches Archiv (Kiel) is an English language journal in spite of its name taking up trade policy issues mainly from an empirical point of view.
- d) The Manchester School has a profile similar to Weltwirtschaftliches Archiv.
- e) Journal of International Economics is a more technical journal with few policy oriented articles.
- f) More general journals like American Economic Review, Economic Journal, Oxford Economic Papers, Economica, European Economic Review, Canadian Economic Journal, Review of Economics and Statistics, Scandinavian Journal of Economics and Economic Record all contain articles on trade policy from time to time.

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Table 7.1 Korea: Restrictive Trade Measures Affecting Exports (as of November 1980)

Country	Commodities Affected	Main Type of Measures	Year of Introduction
Australia	Textiles	Tariff quota	1974-77
	Footwear	Global quota	1975
	Sheets and plates of iron and steel	Global quota	1975
	Electric refrigerators	Global quota	1975
	Passenger motor vehicles	Global quota	...
	Electric insulators	Tariff quota	...
	Razors and some other metal products	Global and tariff quotas	
	Leather clothing	Tariff quota	...
	Plywood	Tariff quota	1976
	Sleeping bags	Tariff quota	...
	Tire cords and fabrics	Tariff quota	...
Austria	Textiles	Bilateral quota	1974-76
Benelux	Cutlery	Voluntary export restraint	1978
Canada	Textiles	Bilateral quota	1974
	Leather coats	Bilateral quota	1977
	Nonrubber footwear	Global quota	1977
Denmark	Cutlery	Bilateral quota	1974
European Community	Textiles	Bilateral quota	1978
	Steel	Voluntary export restraint and minimum pricing system	1978
Finland	Canned mushrooms	Voluntary export restraint	1978
	Certain textiles	Bilateral quota	1980
	Rubber boots	Import deposit	1977
France	Radios, sound recorders	Unilateral quota	1971
	Umbrellas and sunshades	Unilateral quota	1971
	Miscellaneous manufactures (toys, carpets, chemical products, yachts)	Unilateral quota	1974
	Silk fabrics	Unilateral quota	1974
	Tiles	Administrative guidance and global quota	1978
	Semiconductors	Administrative guidance and global quota	1978
	Newsprint and paper	Global quota	1978
	Precision instruments	Global quota	1978
	Wristwatches	Administrative guidance	1978
	Cutlery	Voluntary export restraint	1978
Germany, Fed. Rep. of			
Ireland	Footwear	Voluntary export restraint	1979
Japan	Fish, dried fish, and dried seaweed	Import licensing and quota	1960
	Tuna	Voluntary export restraint	1975
	Raw silk, silk yarn, and silk fabrics	Import quota and voluntary export restraint	1974-76
New Zealand	Baseball gloves	Administrative guidance	1975
	Footwear	Import quota	...
	Cotton thread	Administrative guidance	1976
	Nearly all items	Import licensing	1975
Norway	Textiles	Bilateral quota	1974
	Cutlery	Bilateral quota	1974
	Tires and tubes	Bilateral quota	1974
	Tableware of porcelain, china, and pottery	Bilateral quota	1975
	Leather clothing	Bilateral quota	1978
Sweden	Ski boots	Bilateral quota	1979
	Footwear	Global quota	1979
	Textiles	Bilateral quota	1976
	Leather clothing	Voluntary export restraint	1977

United Kingdom	Black-and-white television sets	Bilateral quota	1977
	Footwear	Voluntary export restraint	1979
	Cutlery	Voluntary export restraint	1979
United States	Textiles	Bilateral quota	1971
	Canned mushrooms	Voluntary export restraint	1976
	Nonrubber footwear	Bilateral quota	1977
	Ginseng products	Import ban	1977
	Steel products	Trigger price system	1978
	Citizens' band receivers	Increase in duty	1978
	Color television sets	Voluntary export restraint	1979
	Industrial fasteners	Increase in duty	1979
	Porcelain on steel cookware	Special duty	1980
	Some specialty steel products	Administrative surveillance ¹	1981

Source: Data supplied by the Korean authorities.

1 This replaced the quota removed in early 1980.

Source: Anjaria et al (1981) table 34

Table 7.2 Trade barriers against clothing imports from Hong Kong,
average 1981-82.

(1) Country	(2) Import tariff equivalent of VERs, average, per cent	(3) Tariff rate, per cent	(4) Combined trade barrier, per cent ²
Austria (Efta)	4	33	38
Benelux (EC)	16	17	36
Denmark (EC)	13	17	32
Finland (Efta)	5	35	42
France (EC)	18	17	38
Germany (EC)	15	17	35
Italy (EC)	7	17	25
Sweden (Efta)	31	14	49
Switzerland (Efta)	n.a. ¹	13	n.a. ¹
U.K. (EC)	20	17	40
	—	—	—
Weighted average (import value)	18	17	38
USA	19	23	46

1) The tariff equivalent of the import licence system and of legal cartels is not known.

2) Derived from columns (2) and (3), i.e. $(1 + \text{tariff equivalent rate}) \times (1 + \text{tariff rate})$ yields the combined rate.

Source: Hamilton (1984), Table 1.

Table 7.3 Rent income from VERs to four Asian exporters of
clothing, 1981 and 1982, millions of US \$, 1982 prices.

<u>Importing country</u>	<u>Hong Kong</u>	<u>Thailand</u>	<u>Indonesia</u>	<u>Malaysia</u>	<u>Total</u>
Benelux	10	1	1	1	13
Denmark	7	1	0	0	8
France	6	4	1	4	15
Germany	94	5	2	2	103
Sweden	47	5	4	3	59
UK	100	3	1	2	106
USA	<u>302</u>	<u>9</u>	<u>12</u>	<u>8</u>	<u>331</u>
Total	566	28	21	20	635

Source: Calculated from Hamilton (1984), Table 2.

Fig. 7.1 The importing country: one market.

Fig. 7.2 The effect on the trade pattern.

Fig. 7.3 The exporting country: one market.