



**Jean Monnet  
Centre of Excellence**

ADAM MICKIEWICZ UNIVERSITY, POZNAŃ

EU external actions in the contested global order –  
(in)coherence, (dis)continuity, resilience

# TRADE POLICY – SOME THEORY

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# TRADE POLICY

- is a set of rules and regulations that are intended to change international trade flows, particularly to restrict imports.
- The purpose of trade policy is to help a nation's international trade run more smoothly, by setting clear standards and goals which can be understood by potential trading partners.



# PROTECTIONISM

- **Protectionism** is the economic policy of restraining trade between states through methods such as:
- tariffs on imported goods,
- restrictive quotas,
- and a variety of other government regulations



# TRADE POLICY INSTRUMENTS

- Tariffs
- Quotas
- Anti-dumping
- Trade facilitation measures



# TARIFFS\*

- A tariff is a tax levied when a good is imported.
- A **specific tariff is levied as a fixed charge for each unit of imported goods.**
- For example, \$5 per barrel of oil.
- An **ad valorem tariff is levied as a fraction of the value of imported goods.**
- For example, 15% tariff on the value of imported cars.
- \*To check tariff levels please use TARIC database
- [https://ec.europa.eu/taxation\\_customs/dds2/taric/taric\\_consultation.jsp?Lang=en&Taric=&MinCharFts=3&EndPub=&MeasText=&Area=&callbackuri=CBU-0&Regulation=&LangDescr=&MeasType=&SimDate=20190514&StartPub=&LastSelectedCode=&OrderNum=&GoodsText=&Level=&Expand=false#top-page](https://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en&Taric=&MinCharFts=3&EndPub=&MeasText=&Area=&callbackuri=CBU-0&Regulation=&LangDescr=&MeasType=&SimDate=20190514&StartPub=&LastSelectedCode=&OrderNum=&GoodsText=&Level=&Expand=false#top-page)



# SUBSIDIES

- An export subsidy raises the price in the exporting country, decreasing its consumer surplus (consumers worse off) and increasing its producer surplus (producers better off).
- An export subsidy can also be specific or ad valorem:
- A specific subsidy is a payment per unit exported.
- An ad valorem subsidy is a payment as a proportion of the value exported.



# QUOTAS

- A quota is a limitation on the quantity of a good allowed to be imported into a country
- Quotas limit the impact of international trade on the domestic market
- Usually enforced through government issued permits to trade



# DUMPING

- Article VI of GATT 1994: allows countries to take action against dumping.
- „A product is said **to be dumped** when its export price is **less than its normal value**, that is less than the sale of a like product in the domestic market in the exporting country.”





# ANTI-DUMPING ACTIONS

- Anti-dumping action means charging extra import duty on the particular product from the particular exporting country in order to bring its price closer to the “normal value” or to remove the injury to domestic industry in the importing country.
- Anti-dumping measures must expire five years after the date of imposition, unless an investigation shows that ending the measure would lead to injury.



# WORLD TRADE ORGANIZATION

- The WTO deals with the rules of trade between countries
- It developed from the General Agreement on Tariffs and Trade (GATT)
- WTO agreements set the ground rules for international commerce.



# SOME HISTORY

- General Agreement on Tariffs and Trade -GATT : 1947-1994
- Initial idea: International Trade Organization discussed at Bretton Woods in 1944
- But the ITO failed (United States Congress failed to approve it)
- Instead of ITO on 1 January,1948 the GATT was signed by 23 countries



# WTO-BASIC INFORMATION

- Location: Geneva, Switzerland
- Established: 1 January 1995
- Created by: Uruguay Round negotiations (1986-94)
- Membership: 164 countries on 2018
- Budget: 196 million Swiss francs for 2011
- Secretariat staff: 640
- Head: Roberto Azavedo (Director-General)



# WTO- MAIN FUNCTIONS

- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organizations



# WTO RULES

- **Nondiscrimination**

- **Most Favored Nation (MFN):** Treat all countries as well as its favorite trading partner
- **National treatment:** prohibits the use of taxes, regulations, other domestic policies to advantage domestic over foreign firms



# MFN EXEPTIONS

- Regional trade arrangements
  - Free-Trade Area (e.g., NAFTA)
  - or Customs Union (e.g., EU)
- Generalized System of Preferences (from 1960s):
  - Developed countries can apply lower tariffs for developing countries than for their peers



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