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TOPIC:— Tariffs and Quotas

Protective trade devices are devices for import restrictions that prevent foreign competition and pave the way for domestic producers to capture the market and strengthen its economy. Exchange control, tariffs and quotas are the most popular restrictive trade devices.

TARIFFS :-

A schedule of duties levied upon the importation of commodities into a given nation from abroad, is called a tariff. Tariffs are of the following types :-

(I) Import duties.
(II) Export duties.
(III) Transit duties.

Tariffs may be classified as specific duties, ad valorem duties and sliding-scale duties. Specific duties are imposed on the quantity of a good. Whereas, ad valorem duties are levied on the basis of the value of the goods. On the other hand, sliding-scale duties are imposed in relation to the prices of the goods.

EFFECTS OF TARIFFS :-

Prof. Kindleberger has

aptly remarked the following important effects of tariffs:-

(a) The protective effect.
(b) The consumption effect.
(c) The revenue effect.
(d) The redistribution effect.
(e) The terms of trade effect.
(f) The income effect.
(g) The balance of payments effect.
(h) The competitive effect.

IMPORT QUOTAS:-

Import quotas are important protective trade devices. It is also an old form of trade restrictions that came into existence since the mercantilist era. An import quota implies a fixed quantity or value of a commodity that has been allowed to be imported in the country during a given period of time. Quotas assigned in quantitative terms are referred to as direct quotas and those expressed in value units implying exchange control are called indirect quotas.

Following are the broad objectives of an import quota system :-

(1) To regulate imports in an effective manner.

(2) To check imports in order to correct an adverse balance of payments.

(3) To protect domestic industries from severe foreign competition.

(4) To maintain and stabilise domestic price level by restricting import inflows.

(5) To retaliate against countries resorting to restrictive devices like import quotas and to strengthen a country's bargaining power to limit import demands.

(6) To check speculative imports in anticipation of tariff legislation through allocation of quotas.

TYPES OF IMPORT QUOTAS

(i) The Tariff Quota
(ii) The Unilateral Quota.
(iii) The Bilateral Quota.
(iv) The Mixing Quota.
(v) Import Licensing.