

Commercial Trade Policies

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Commercial Trade Policies

- There are other rules/regulations that can be imposed to limit trade flows and deviate away from free trade.

**Section 301:** US policy that states it can impose barriers to trade depending upon how US exporters are treated (Section 301 of the 1974 Trade Act)

**Escape Clause:** measure in US trade laws that allows for temporary protection against fairly trade foreign imports

US President may alter trade policies to avoid/eliminate Damage to domestic protection (5 year maximum)

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Dumping

- Dumping is a form of international price discrimination where firms sell in a foreign market at a price that is lower than in the domestic market

Different types of dumping:

- 1) Predatory dumping
- 2) Seasonal/cyclical dumping
- 3) Persistent dumping

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### Retaliation Against Dumping

- 1) Reciprocal Dumping
- 2) Antidumping duties – imposed on those goods that are being dumped into your country

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### Export Subsidies

- Exports are often subsidized rather than taxed.
- Issues surrounding export subsidies:
- 1) Why favor exports rather than domestically sold products?
  - 2) Why do some countries subsidize exports and restrict imports?
- Export subsidies – GATT rules them “unfair competition”
- Countervailing duties – import duties placed on goods that receive export subsidies

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### Other NTBs

- 1) Government Procurement Policies
- 2) Health/Safety Standards
- 3) Domestic Content Requirements – “Rules of Origin”
- 4) Intellectual Property Rights

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Protection

- Why do we impose barriers to trade?
- Are there valid reasons for protection?

Reasons often used to validate protection:

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|--------------------------------|-----------------------|
| 1) Patriotism                  | 2) Employment         |
| 3) Infant Industry Protection  | 4) Fair/Foul Play     |
| 5) Preservation of home market | 6) Government Revenue |
| 7) Income redistribution       | 8) National Defense   |

Are any/all of these valid reasons for protection? Why or Why not?

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