

## Trade Restrictions

#	Description	Product	How is trade being restricted?	Reason for the restriction
1	When the United States invaded Iraq in 2003, France refused to follow. Years later, in its final hours, the Bush Administration reciprocated with a proposed increase in import tax on French Roquefort cheese from 100% to 300%. A tariff three times as high would have seen a pound of the blue- green cheese selling anywhere from \$60 to \$100 in the United States. This revenge-driven import tax never came to be, and the tariff on Roquefort remained at 100%.	French Roquefort cheese	An import tax (tariff) between 100% to 300%	Revenge - USA was upset that France did not support their war against Iraq
2	A single paper clip sells for less than a cent. Some 11 billion of them are sold in the U.S. every year. Cheap and nearly disposable, it's hard to imagine that a large majority of domestically sold paper clips are still manufactured in the U.S. For the most part, this is thanks to import taxes reaching as high as 127% on Chinese manufactured paper clips. American companies have benefited from import taxes against China since 1994, when the US government deemed Chinese competition unfair.			
3	Since the Great Depression, the United States has supported farmers. Most forms of support are payments from the government. In a few cases, however, the government has protected farmers with high tariffs or import taxes on products (sugar, dairy products, tobacco). The import rate on certain tobacco products can reach as high as 350%, making it one of the most protected American products around.			
4	In the 1970s and 1980s, U.S. automobile manufacturers and labor unions supported government quotas on foreign car imports to limit competition and preserve American jobs.			
5	The broom tariff – which includes hand-operated mechanical floor sweepers, mops, and feather dusters, is complicated. Brooms are subject to an 8% tariff, or			

	import tax when valued under \$0.96. There is also a quota of 121,478 dozen units. When valued at more than \$0.96 each, brooms are free of a quota, but receive the highest tax at 32%.			
6	The U.S. placed a tariff on tires made in China. In 2009, a 35% tariff was slapped on tires manufactured in China. By making imported Chinese tires a lot more expensive it was hoped that people would buy more American tires. Policy makers also hoped that this would increase the number of tire manufacturing jobs in the U.S. It didn't.			
7	The history of the U.S. peanut tariff reaches back in our history. America's domestic peanut program has its roots in the Agricultural Adjustment Act of 1933, which set an import quota at 775 metric tons. This limited the amount of peanuts that could be imported to 775 metric tons a year. By the year 2000, the peanut quota was capped at 7% of US production. This means the amount of peanuts that can be imported cannot be over 7% of the amount of peanuts produced in the U.S.			
8	Following the communist revolution in Cuba, and later the Cuban Missile Crisis, the United States banned all trade with the island nation of Cuba. Although there has been a slight relaxing of restrictions, political differences still keep the two countries from trading.			
9	In 2013 the U.S. worked to block Iran from selling any oil abroad because of its nuclear program.			

### **Types of Tariffs and Trade Barriers**

There are several types of tariffs and barriers that a government can employ:

Specific tariffs  
Import quotas

Ad valorem tariffs  
Voluntary export restraints

Licenses  
Local content requirements

*Tariff barriers to trade include:*

### **Specific Tariffs**

A fixed fee levied on one unit of an imported good is referred to as a specific tariff. This tariff can vary according to the type of good imported. For example, a country could levy a \$15 tariff on each pair of shoes imported, but levy a \$300 tariff on each computer imported.

### **Ad Valorem Tariffs**

The phrase ad valorem is Latin for "according to value", and this type of tariff is levied on a good based on a percentage of that good's value. An example of an ad valorem tariff would be a 15% tariff levied by Japan on U.S. automobiles. The 15% is a price increase on the value of the automobile, so a \$10,000 vehicle now costs \$11,500 to Japanese consumers. This price increase protects domestic producers from being undercut, but also keeps prices artificially high for Japanese car shoppers.

*Non-tariff barriers to trade include:*

### **Licenses**

A license is granted to a business by the government, and allows the business to import a certain type of good into the country. For example, there could be a restriction on imported cheese, and licenses would be granted to certain companies allowing them to act as importers. This creates a restriction on competition, and increases prices faced by consumers.

### **Import Quotas**

An import quota is a restriction placed on the amount of a particular good that can be imported. This sort of barrier is often associated with the issuance of licenses. For example, a country may place a quota on the volume of imported citrus fruit that is allowed.

### **Voluntary Export Restraints (VER)**

This type of trade barrier is "voluntary" in that it is created by the exporting country rather than the importing one. A voluntary export restraint is usually levied at the behest of the importing country, and could be accompanied by a reciprocal VER. For example, Brazil could place a VER on the exportation of sugar to Canada, based on a request by Canada. Canada could then place a VER on the exportation of coal to Brazil. This increases the price of both coal and sugar, but protects the domestic industries.

### **Local Content Requirement**

Instead of placing a quota on the number of goods that can be imported, the government can require that a certain percentage of a good be made domestically. The restriction can be a percentage of the good itself, or a percentage of the value of the good. For example, a restriction on the import of computers might say that 25% of the pieces used to make the computer are made domestically, or can say that 15% of the value of the good must come from domestically produced components.