

# “Timing is Everything”: The Impact of Delaying the Lifting of a Quota

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# Scenario

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## Initial Policy Scenario:

- North America and the EU delay the removal of quotas on Chinese textiles and clothing until the beginning of 2010

## Our Policy Scenario:

- Due to heightened concerns, North America and the EU delay the removal of quotas on Chinese textiles and clothing even further, not taking effect until 2015

## Question:

- What is the impact of delaying the removal of quotas by 5 years vis a vis removal by the beginning of 2010
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# Shocks

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2005: Removed the shock to eliminate the “West” quota on textiles from China; shock on tariffs remains

- **tshock** tms(TRAD\_COMM,REG,CHN\_REG) = **select from file** taxpshks1.har **header** "RTMS" ;

2010: eliminate quotas in the “West” on textiles from China:

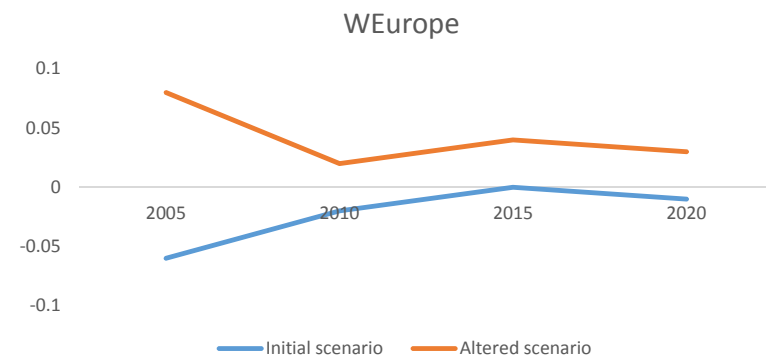
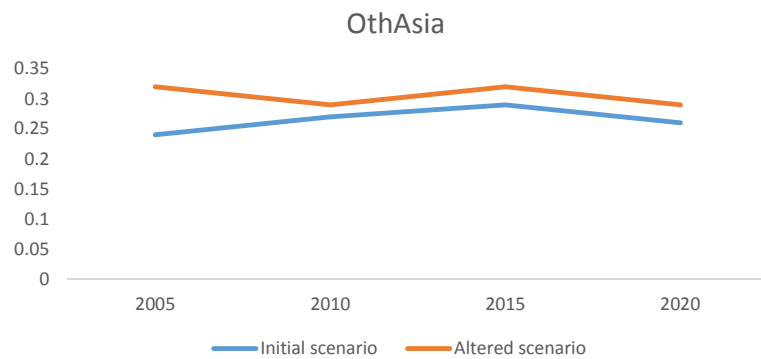
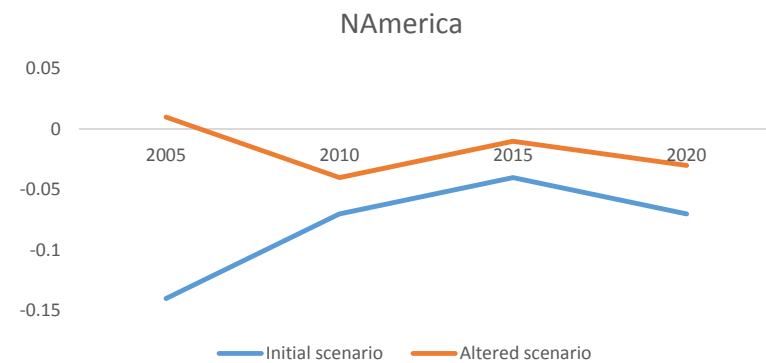
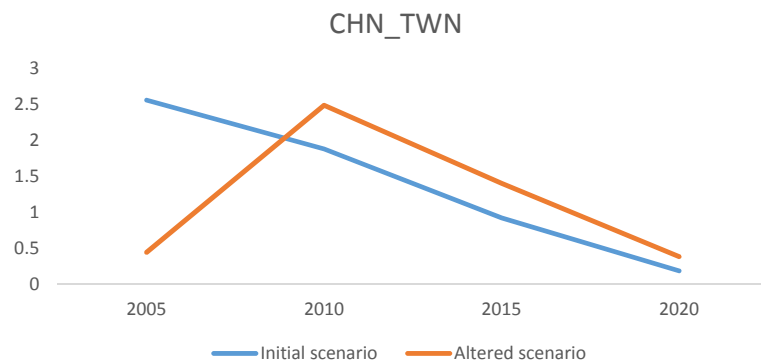
- **tshock** txs(MFA\_COMM,CHN\_REG,WEST) = **select from file** taxpshks1.har **header** "RTXS" ;

2015 & 2020: Shocks remain the same as used in the original policy experiment

- **tshock** txs("tex",CHN\_REG,WEST) = **uniform** 0 ;

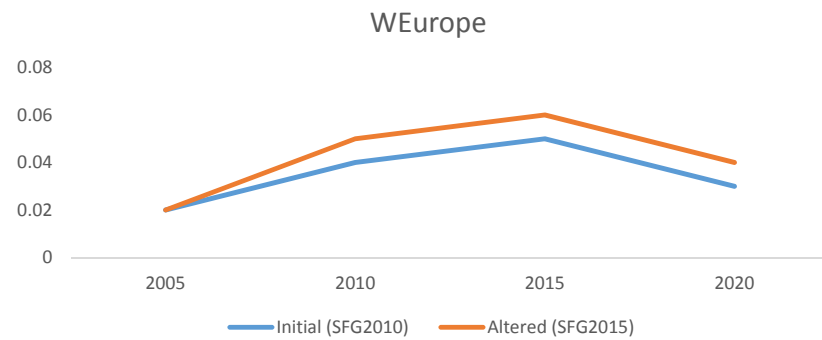
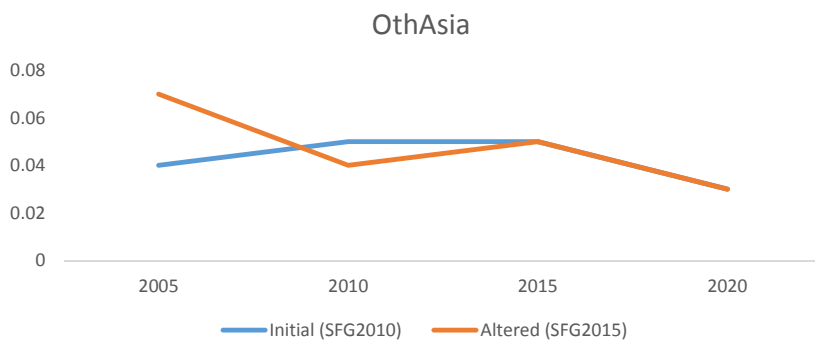
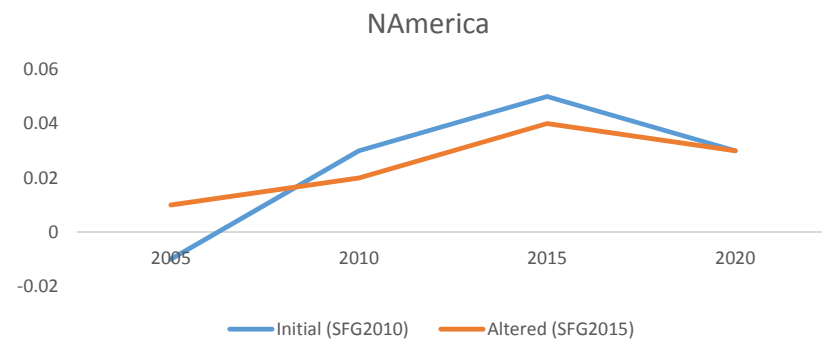
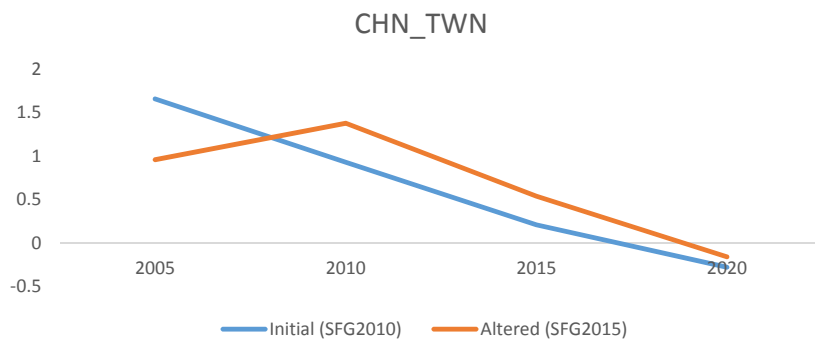
# Change in the Rental Price of Capital

*Cum. % Differences ps(CGDS)*



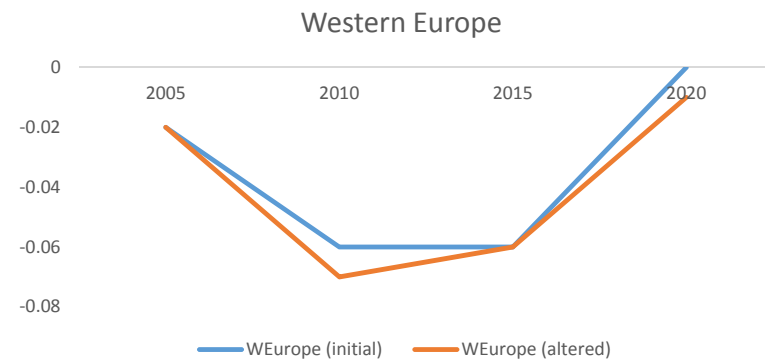
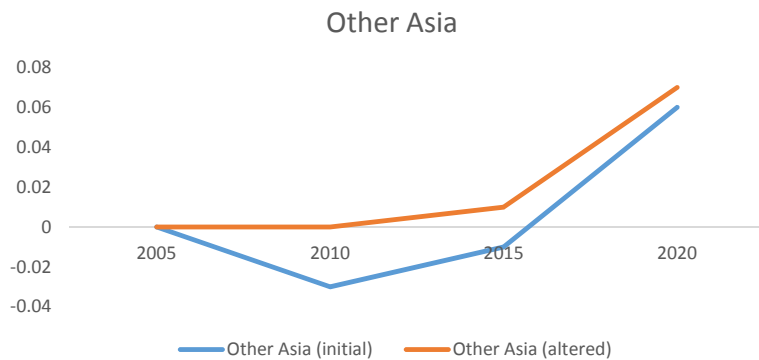
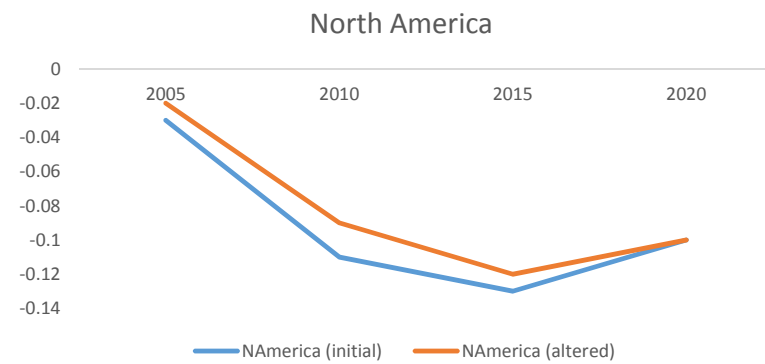
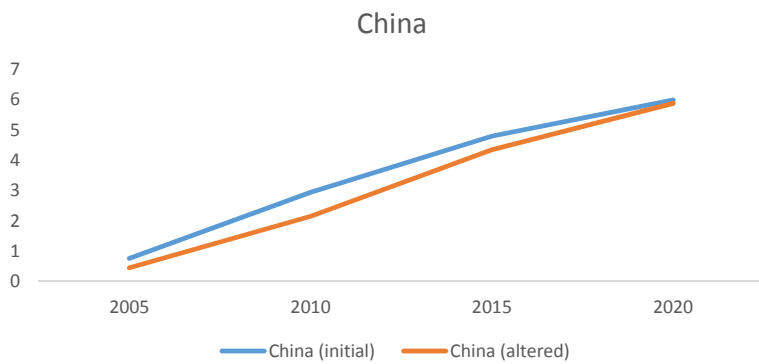
# Rate of Return

*Cum. % Differences*



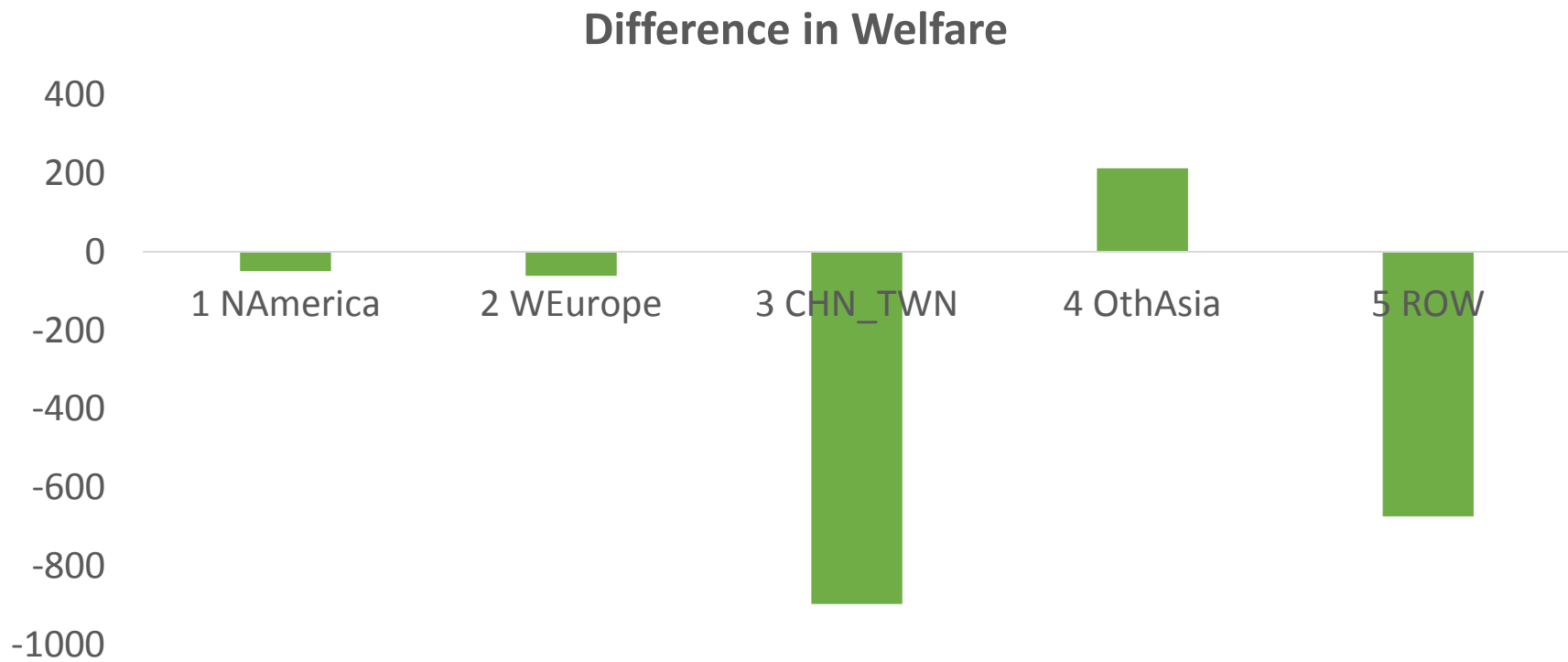
# Change in Capital Stock (qk)

*Cum. % Differences*



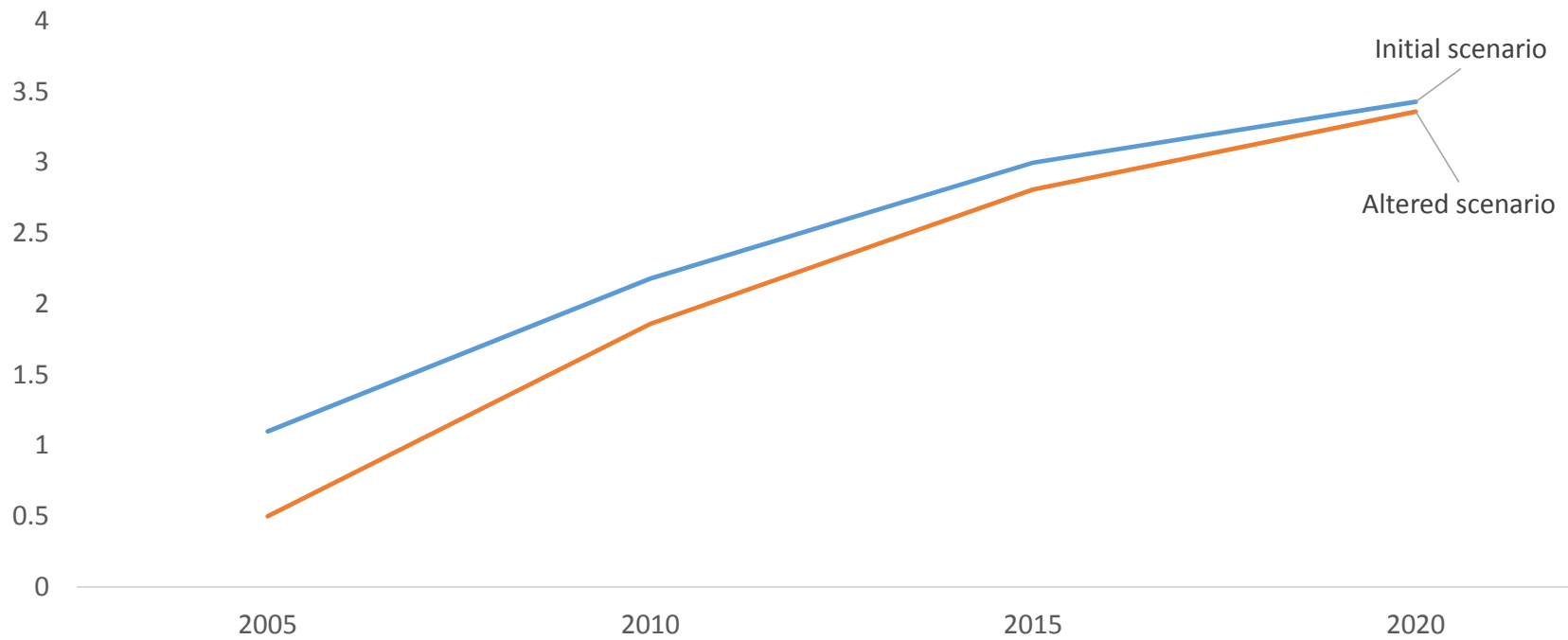
# Welfare (Initial vs. Altered Scenario)

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# Output

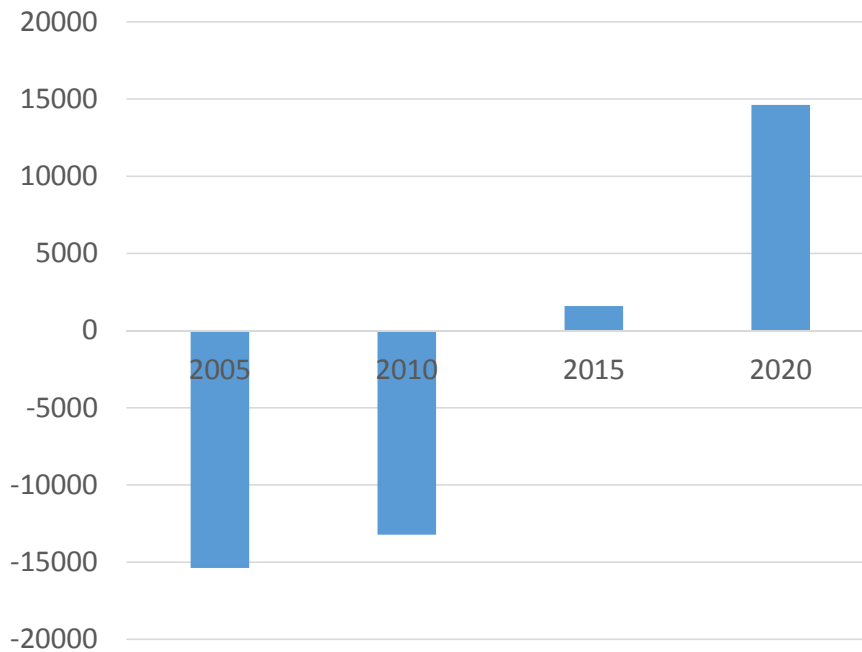
China's Change in GDP (qgdp)



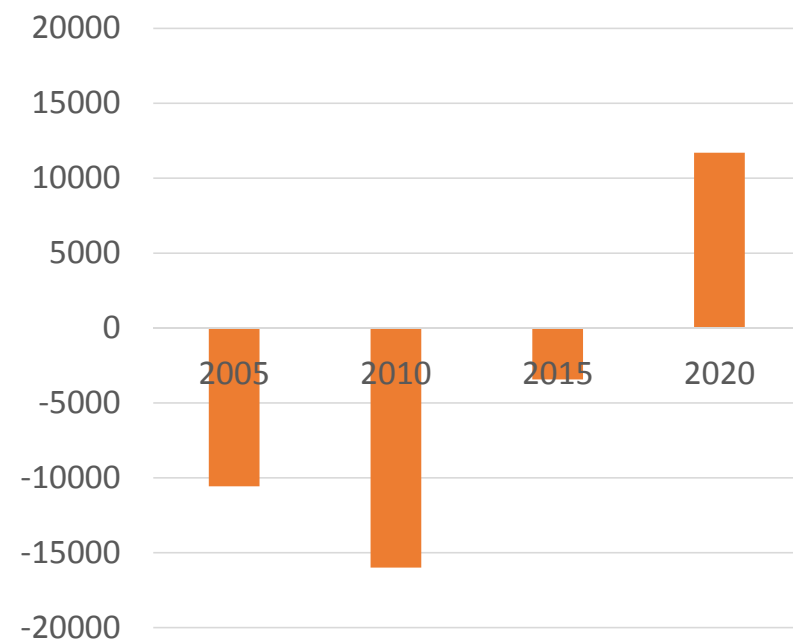


# Trade Balance

Initial Scenario (Change in China's Trade Balance)



Altered Scenario (Change in China's Trade Balance)



# Conclusion

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- Postponing removal of quotas hurts the Western Europe and North America in terms of capital accumulation, return of capital, and trade balance;
  - Protectionism hurts; the motivation to postpone removal of tariffs contradicts national economic policy objectives;
  - Global welfare increases from the removal of tariffs and quotas;
  - Extending protectionist measures results in decline in welfare;
  - Analysis can be extended to include cross sectoral movement of labour
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- THANK YOU