

# *Chapter 10.F*

## *ATC Export Tax Equivalents*

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For 2004, this dataset was contributed by Joseph Francois and Julia Wörz, based on the paper whose abstract is as follows:

We develop a panel-based ICLS framework for estimating the export tax equivalent (ETE) of quotas where the ETEs vary over time. Working with a panel of bilateral data on textile and clothing trade, underlying bilateral tariffs, and the country-pair coverage of quotas under the WTO's Agreement on Textiles and Clothing (ATC), we use this framework to examine the evolution of market access conditions in the textile and clothing sectors. Our estimating framework takes advantage of the panel nature of trade data when calculating export tax equivalents while allowing for inequality constraints on the quota premium estimates. We also implement quadrature methods for calculating confidence intervals for our regression-based NTB measures.<sup>1</sup>

For 2007, however, ATC quotas were non-existent for all exporters, as the quotas were phased out by 2005, but quotas on Chinese exports remain in USA and EU. Thus, these taxes were zeroed out for non-Chinese textile and apparel sectors in the world in the 2007 version of GTAP 8 Data Base. We extrapolated ETEs from 2004 data to 2007 for China, based on the extent to which the quotas for Chinese exports were allowed to grow in each of these countries. In other words, the Chinese export tax equivalents were assumed to decline at the rate at which the quotas were allowed to grow by USA and EU. According to BBC and New York Times news reports in late 2005, China agreed to increase the quotas from 2005 to 2007 at the rates of 7.5% and 10% respectively by USA and EU. Export tax equivalents were assumed to decline through 2007 to the extent to which quotas were increased.

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<sup>1</sup> Refer to IIDE Discussion Paper: 200805-01 entitled "Non-Linear Panel Estimation of Time-Varying Effects of Import Quotas", available for download from: <http://www.i4ide.org/content/wpaper/dp20080501.pdf>