

Overview of International Trade Policies

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Designed as concise, easy-to-read study notes

1. Why Trade Policies Matter

Goal	How It Works
Promote Economic Growth	Reduce barriers → larger markets for exporters; cheaper inputs for producers.
Protect Domestic Industries	Tariffs, quotas, or subsidies shield sectors from foreign competition.
Ensure National Security	Restrict trade in strategic goods (e.g., weapons, dual-use technology).
Achieve Social & Environmental Objectives	Standards on labor, environment, health can be embedded in trade rules.
Generate Revenue	Historically, tariffs were a major source of government income (still true for many developing nations).

2. Core Instruments of Trade Policy

Instrument	Definition	Typical Use	Example
Tariffs	Taxes on imported goods, expressed as a percentage of value or a specific amount per unit.	Raise revenue; protect infant industries.	10% duty on imported steel in Country X.
Quotas	Limits on the quantity of a product that can be imported over a set period.	Directly cap competition; protect sensitive sectors.	5,000 tons of sugar per year allowed from abroad.
Non-Tariff Measures (NTMs)	Technical standards, sanitary & phytosanitary (SPS) rules, licensing, customs procedures.	Protect health, safety, environment; can be de facto barriers.	EU's pesticide residue limits for fresh produce.

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Subsidies & Countervailing Measures	Government financial support to domestic producers; counter?measures to offset foreign subsidies.	Boost competitiveness; retaliate against unfair subsidies.	Export credit guarantees for agricultural products.
Anti?Dumping Duties	Additional tariffs imposed when a foreign firm sells below “normal value” and harms domestic industry.	Prevent predatory pricing.	25?% anti?dumping duty on imported cheap solar panels.
Export Controls	Restrictions on the export of certain goods, technologies, or services.	Safeguard security, comply with international regimes.	U.S. export license for dual?use electronics.
Trade Agreements	Bilateral, regional, or multilateral pacts that set rules, reduce barriers, and create dispute?resolution mechanisms.	Liberalize trade, harmonize standards.	NAFTA/USMCA, EU Single Market, CPTPP.

3. Major Trade?Policy Frameworks

Framework	Scope	Key Features
World Trade Organization (WTO)	Global, 164+ members (as of 2024).	- Most?favoured?nation (MFN) principle. - National treatment. - Binding tariff commitments. - Dispute?settlement body (DSB). - Deep integration (services, investment, IP).
Regional Trade Agreements (RTAs)	Geographic clusters (e.g., EU, ASEAN, MERCOSUR).	- “Rules of origin” to prevent trade deflection.
Bilateral Free Trade Agreements (FTAs)	Two?country deals.	Tailored schedules; often include investment?protection clauses.

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Customs Unions & Common Markets	Subset of RTAs.	Eliminate internal tariffs + adopt a common external tariff (customs union).
Trade-Related Investment Measures (TRIMs)	WTO-administered.	Prohibit performance requirements (e.g., local content) that distort trade.
**Sanitary		