

Quota allotted by
distinguishing
between established
importers,



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Quota prescribed for one time period may be repeated or revised for subsequent periods, or it may be totally scrapped.

An outright ban (that is, a “ zero quota”) on the import of an item is an extreme form of a quota. In case of exports, quotas are primarily used for non-economic reasons like defence. Forms: For the sake of simplicity, we shall only discuss the forms of import quotas. As stated above, import quota of an item is always for a given period of time.

It may be prescribed in volume or value or both. In addition, it may also specify the source (or sources) from which the item may be imported in which case it is termed a discriminatory quota. The form of this discrimination may be decided on the basis of several economic and non-economic considerations including, for example, (i) some international agreement(s), (ii) political factors, (iii) need to use quotas to retaliate or commit an economic aggression, and so on.

Similarly, allocation of a quota between domestic importers can also be discriminatory and based of one or more criteria. In India, for example, quotas were allotted by distinguishing between established importers, actual users, etc. Usage: Potential of external trade as a source of public revenue was realised by the governments of several western countries right from the early days of emerging capitalism, trade and commerce. However, the need for regulating external trade was realised much later. Over time, use of quotas also came into existence: i. In response to political considerations, ii. For overcoming balance of payments difficulties. iii.

For protecting domestic industries, and iv. For reasons of national security and health-care etc. Consequently, use of quantitative restrictions as a policy tool passed through various hazy and overlapping phases. They were rarely used during the latter half of eighteenth century and early half of nineteenth century.

Their use became widespread after the First World War when the erstwhile pattern of international specialisation was disturbed. During this period, the traditional pattern of some countries specialising in manufactured goods and others in agricultural products and minerals was disturbed. The countries concentrating upon primary products started dreaming of industrialisation and they believed that regulation of international trade was an important policy measure for achieving this goal. In contrast, the industrialised countries, perturbed by these developments, sought to produce synthetic substitutes of agricultural raw materials and minerals. Though tariffs remained a preferred way of restricting inflow of imports, use of quantitative restrictions also became more frequent. The period after World War II saw widespread activity in removing quantitative restrictions.

Apart from General Agreement on Tariffs and Trade (GATT, now World Trade Organisation or WTO), several other international institutions have been consistently working against all forms of trade restrictions including quotas. However, progress in this direction has been a halting one. In the meantime, several regional economic blocs have also come into existence and they favour quantitative restrictions against imports from non-members. Quotas and Free Trade: Quotas, being a form of quantitative restriction, are sought to be removed by all those organisations which believe in the merits of free <https://assignbuster.com/quota-allotted-by-distinguishing-between-established-importers/>

trade. International organisations dealing with trade like GATT (now WTO) have an explicit goal of bringing about a regime of free trade devoid of all forms of quantitative restrictions including quotas.

However, keeping in view the ground realities, certain exceptions are also allowed. Thus, historically speaking, quotas have been permitted for underdeveloped countries so as to help them in industrialisation. Similarly, use of quotas has been allowed for tiding over balance of payments difficulties or for meeting shortage of “hard currencies” However, in all these cases, quotas were expected to be only transitional in nature.