Hong Kong quotas. This is not necessarily a correct assumption. Only a smaller marginal supply of quotas are sold in Hong Kong; in such a situation the market price may not be a reliable indicator of the price of quotas if all quotas were transferred (or auctioned by the authorities). Surely this is the case for all "marginal" markets. Thus the London sugar market price for sugar does not indicate what would be the price for sugar if all sugar was so sold; most sugar, like most Hong Kong export quotas, changes hands under other arrangements.[16]

For this reason, these estimates may be somewhat overstated; what is clear is that if quotas are imposed in addition to relatively high tariff rates the costs of such protectionism are likely to be substantial.

Another approach, more in keeping with Young's empirical work, noted above, would be to compare prices for categories of products in exporting countries with the prices for the same products in various importing countries. What this may show is that the cost of restrictive quotas, such as are widespread in the textile and apparel sectors, varies from one importing country to another, depending on the extent of competition between domestic producers and the vigour of competition, or lack of it, in the distribution sector. In North America there is relatively vigorous competition in the wholesale and retail distribution systems, and many large retailers do their own wholesaling, particularly with regard to apparel. In Europe it would appear that there is less competition in distribution and that importers have the benefit of nationally administered import quotas. High profits on imports may cross-subsidize domestic products, given that importers have an interest in allocating to domestic producers sufficient business as to persuade them not to press for more restrictive quotas, which would reduce importers' profits.[17]

None of these observations as to the need for empirical data on prices for restricted imports takes away from the fact that the price of protection by bilateral quotas is unduly high, unduly, that is, when measured against worker adjustment costs or against potential adjustment assistance.

The same issues were examined, in relation to "export restraints", by the U.S. International Trade Commission in 1982.[18] In this study the differences in terms of the distribution of rents as between restrained exporters who are "price-takers" and those who are "price searchers" are examined; this refines the argument stated above.[19]

Another product area which has been subject to quotas and export restraints is non-rubber footwear; there have been several attempts to assess the impact of these measures. In the USITC study cited above, the effectiveness of the orderly marketing arrangements are examined; it is noted that "the quantitative restraints were largely offset by increases in the imports from non-restraining countries".[20] It is calculated that for the 3 year period 1977-79 the OMA's reduced imports into the U.S. by approximately 88 million pairs, about 8.5 per cent of total imports, and created about 15,000 jobs each year in the three-year period. This was accompanied by a reduction of demand, stated to be running as high as 9,573,229 pairs in 1979, and an increase in price, in that year, of $1.07 per pair.

The effect of restraints on footwear was also examined in detail in connection with the Canadian Article XIX action on that product. In a study