

In a countervailing duty case, the exporter may adjust by his government entering into an undertaking to eliminate the effects of the subsidy in prices for export, or by limiting the quantity to be exported; in complex cases the countervailing duty (or anti-dumping duty) proceedings may be terminated because the exporting countries concerned have negotiated export restraints (This has been the case for a range of steel products imported into the U.S.). In such a situation, the rent or profit of the restraint is likely to accrue primarily to exporters; the importing country faces additional costs without being able to take any revenue from the hypothetical duties; moreover, there are the costs involved in misallocation of resources and efficiency losses. The amount of rent arising because of the restraint, and the actual reduction in imports over the level of imports that would have occurred in the absence of a countervailing (or anti-dumping) proceeding depends on the elasticities of supply and demand for the product at issue, and also on the relative bargaining strength of exporters and importers. If exporters are small and numerous and importers are fewer and more powerful, importers may be able to acquire some of the rent of the restriction.

In quantitative methods of restriction, such as those imposed pursuant to GATT Article XIX, or as surrogates for GATT Article XIX, or under the MFA, the allocations of costs and profits will vary according to the design of the quota system. There are many varieties of quota system: we can take two hypothetical cases, at the two extremes, by way of illustration.

At one extreme is a global import quota administered by the importing country, which issues licenses to import fixed quantities to importers of record, the quantities allocated to each being related to the quantities imported by the individual importer in some representative historical period. The importers can shop around amongst various exporters in the various competing exporting countries; the importers have maximum bargaining power and can appropriate the rent of the restraint.⁸ Much the same result will apply in a system in which the importing countries institute quotas assigned to individual exporting countries; if the right to import is given to individual importers who can bargain with numerous exporters, it is likely that the importers will appropriate the rent of the restraint. The only fashion in which the rent can be appropriated by the importing country (i.e., by the government) is to auction the rights to import under quota; such a system would also reduce sharply the scope for influence and favoritism in the allocation of quotas. Possibly for that reason governments have not adopted such quota auctioning techniques.

At the other extreme is a system of bilateral export quotas administered by the exporting country in which non-used quotas may be transferred by quota holders (e.g. as in Hong Kong). In such a system it is likely that all the rent of the restraint accrues to exporters.

In between these two extremes there are a multitude of variations, but these two examples should make clear how one could analyze a given quota system in terms how the rent of the restraint is allocated.

What has been discussed above is who collects the rent. The question of how large are these rents is another issue. In any given case that will depend on how restrictive is the quota system, that is, by how much does it reduce imports below the levels that would prevail in the absence of a quota, and therefore on