

# Understanding Quotas



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## I. What is a Quota?

### Quotas

A quota is a limit of the quantity of a particular good that is allowed to be imported in a country. Quotas may be administrated by a government in attempt to limit the quantity of a good coming into the country. Quotas are administrated during a set a time frame and may be reoccurring.

### The Purpose of Quotas

Quotas are meant to protect countries interest. By making it difficult to import foreign product the domestic product will benefit by not competing with foreign prices. Quotas differ from illegal or prohibited goods that are not allowed to enter the country for health, safety, or other concerns.

### Absolute Quotas

Absolute quotas only allow a specified number of particular good to be imported into the country within a determined time frame. Once the number of specified quantity is filled, no further entries are allowed. As part of the World Trade Organization, the United States and many other countries do not currently have any absolute quotas to allow for free trade.

### Tariff-Rate Quotas

Tariff-rate quotas allow a determined amount of a product in a certain time frame to be imported in a country at a reduced tariff rate. After the determined amount of product is imported within the set time frame, the product may still be imported at a higher level tariff rate. The lower and higher level tariff rates are determined by the product and the importing country. The time frame, levels of tariffs, and goods subject to quota are determined by the country of import.

### Quota Permits

Quota permits may be authorized to regulate the entry of products from certain country or business. Depending on the country and product, governments may directly authorize foreign permits to allow a certain number of a particular good to be imported by a country or business. In other instances, governments may choose to have a general import permit rather than giving foreign states or businesses an import permit.

Reference: [World Trade Organization](#)

Reference: [World Trade REF](#)

Reference: [Canadian Food Inspection Agency](#)

## II. How Do Quotas Affect a United States Business?

### Importing

While the United States does not have absolute quotas it does have tariff-rate quotas on certain products. The U.S. allows a specific number of a specified product in a certain time frame into the country, and after the number is reached a there will be a higher tariff. For example, 200,000 kg of beef



may be allowed to be imported into the U.S. from Canada in 2017 at a tariff rate of 10%.<sup>1</sup> In November of 2017, the 200,000 kg limit was reached. The tariff rate with now increase to 35% making the price of imported beef more expensive.

### **Exporting**

The foreign country determines quotas and the different aspects of quotas. Foreign governments may choose absolute tariffs that can restrict U.S. exports or have a similar tariff-rate quota. A U.S. business looking to export a product that has a quota in the foreign country may have to obtain a permit. It may also be more costly to export once the quota level has been reached.

## **III. The United States: Quotas on Imports**

### **Import Quotas**

Imports into the United States do not have any absolute quotas. The U.S. does permit tariff-rate quotas and Tariff-Preference Levels. Tariff-rate quotas are administered on several textile products and agricultural products including but not limited to; cotton; animal feed; beef; cheese; types of chocolate; dairy products; peanut and peanut products; sugar; and tobacco. For a complete list of commodities subject to import quotas visit the [U.S. Customs and Border Protection](#) website.

### **Tariff-Preference Levels**

Many Free Trade Agreements and other legislation establish Tariff Preference Levels (TPLs). Tariff-Preference Levels gives preference to countries by a trade agreement or by legislation. This allows certain countries to import a specified quantity of product to be entered into the country at a reduced tariff rate. After the determined quantity is met, the goods are subject to a higher tariff level. The goods subject to quotas are determined by the specified Free Trade Agreement or legislation.

### **Free Trade Agreements and Legislation with Quotas:**

- U.S. Australia Free Trade Agreement
- U.S. Bahrain Free Trade Agreement
- Caribbean Basin Trade Partnership Act
- U.S.-Central America-Dominican Republic Free Trade Agreement
- U.S. Chile Free Trade Agreement
- Haitian Hemispheric Opportunity Through Partnership Act
- U.S. Israel Agreement on Trade in Agricultural Products
- U.S. Morocco Free Trade Agreement
- North American Free Trade Agreement
- U.S. Oman Free Trade Agreement
- U.S. Peru Trade Promotion Agreement
- U.S. Panama Free Trade Agreement
- U.S. Colombia Trade Promotion Agreement
- U.S. Korea Free Trade Agreement

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<sup>1</sup> Note: This example does not represent the actually quota on beef and is used for educational purposes only.

- Uruguay Round Agreements
- African Growth and Opportunity Act

Reference: [U.S. Customs and Border Protection](#)

## IV. Canada: Quotas on Imports

### Import Quotas

Similar to the United States, Canada signed an agreement with the World Trade Organization to convert their absolute quotas to tariff-rate quotas. The tariff-rate quota allows a number of products to enter Canada at a lower tariff. Once the specified number of a product has been reached, the tariff rate will increase. The current Canadian quotas are primarily on agricultural products.

#### “Within access commitment”

Within access commitment is terminology for the number of items before the quota level is reached. Within access commitment products enjoy a lower tariff rate. For most products, the ability to import within access commitment is allocated to firms through the issuance of import allocations or otherwise called quota-shares. The firms with quota-shares will receive specific import permits that will allow the company to import a product with a quota within access commitment.

#### “Over access commitment”

Over access commitment means the quota has been reached and new imports will be subject to a higher tariff rate. A higher tariff rate still allows the import of specified good just at a higher cost.

#### Agricultural Products Subject to Quotas:

- Chicken
- Turkey
- Broiler Hatching Eggs and Chicks
- Shell Eggs and Egg Products
- Cheese
- Butter
- Margarine
- Ice Cream, Yogurt
- Other Dairy Products
- Barley and Barley Products
- Wheat and Wheat Products
- Beef and Veal from Non-North American Free Trade Agreement countries

#### First-Come, First-Served Tariff-Rate Quotas

First-come, first-served tariff-rate quotas allow countries to import based on first-come, first-served basis. Margarine, wheat, wheat products, barley, barley products, cut roses from Israel, and frozen pork from the European Union are all subject to first-come, first-severed tariff-rate quotas. These products may have a general import permit. Individual firms are not given allocated import permits.



**Tariff-Rate Quotas with Import Permits**

Allocated import permits effect broiler hatching eggs and chicks, chicken, turkey, eggs and egg products, non-NAFTA beef and veal, cheese, butter, milk and cream, buttermilk, yogurt, ice cream, and other dairy products. Import permits are allocated to importers and allow them to import a specified product up to a certain amount within access commitment.

Reference: [Global Affairs Canada](#)

Reference: [Canadian Food Inspection Agency](#)