



Effect of Tariffs on Handloom Products

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A tariff is a tax or duty imposed by one nation on the imported goods or services of another nation. Tariffs are a political tool that have been used throughout history to control the amount of imports that flow into a country and to determine which nations will be granted the most favorable trading conditions. High tariffs create protectionism, shielding a domestic industry's products against foreign competition. High tariffs usually reduce the importation of a given product because the high tariff leads to a high price for the customers of that product. There are two basic types of tariffs imposed by governments on imported goods. First is the Ad Valorem tax which is a percentage of the value of the item. The second is a Specific Tariff which is a tax levied based on a set fee per number of items or by weight. Tariffs are generally imposed for one of four reasons: to protect newly established domestic industries from foreign competition; to protect aging and inefficient domestic industries from foreign competition; to protect domestic producers from "dumping" by foreign companies or governments. Dumping occurs when a foreign company charges a price in the domestic market which is below its own cost or under the cost for which it sells the item in its own domestic market; to raise revenue. Many developing nations use tariffs as a way of raising revenue.

The WTO agreement includes commitments by countries to bind their tariff rates at an agreed-upon maximum rate for each import product category. The maximum tariff in a product category is called the bound tariff rate. The bound tariff rates differ across products and across countries: some countries agree to higher maximums; others agree to lower maximums. In general, less-developed countries have higher bound tariff rates than developed countries, reflecting their perception that they need greater protection from competition against the more highly developed industries in the developed markets.

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Product-wise Bound Tariff and Applied Tariff on Carpet & Floor Covering Products:

Table 1.1

570110: Carpets & other textile floor coverings of wool or fine animal hair, knotted

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
Germany	8	8.05	99.43
United States	1.13	1.50	75.53
Turkey		8.05	99.42
United Kingdom	8	8.05	99.38

Source: WITS COMTRADE Database

Table 1.1 illustrates that the average applied tariff percentage of the United Kingdom ,Germany and the United States is more than that of bound tariff percentage. Since Turkey has no tariff binding for this product it means that this country is free to set whatever tariff it wishes.

Table 1.2



570190: Carpets & Floor Coverings Knotted Of Other Textile Material

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
Germany	5.75	5.94	96.87
Belgium	5.75	5.95	96.60
United Kingdom	5.75	5.95	96.60

Source: WITS COMTRADE Database

Table 1.2 illustrates that the average applied tariff percentage of the United Kingdom , Belgium and Germany is more than that of bound tariff percentage.

Table 1.3

570210: “KLM”, “SCHMCKS”, “KRMNE” & Similar Hand Woven Rugs

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
Germany	3	3.36	89.39
United Kingdom	3	3.36	89.39
Italy	3	3.36	89.39
Denmark	3	3.39	88.54

Source: WITS COMTRADE Database

Table 1.3 illustrates that the average applied tariff percentage of Germany, the United Kingdom, Italy and Denmark is more than that of bound tariff percentage.

Table 1.4

570220: Floor Coverings Of Coconut Fibres (Coir)

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
United Kingdom	4	4	100
Germany	4	4	100
Italy	4	4	100
Netherlands	4	4	100

Source: WITS COMTRADE Database

Table 1.4 illustrates that the average applied tariff percentage of the United Kingdom Germany, Italy and Netherlands is equal to bound tariff percentage. Hence their bound %age is 100. For the most developed economies, 100 percent of the tariff lines are bound



Table 1.5

570231: Other Carpets & Floor Coverings Of Wool/Fine Animal Hair Of Pile Construction, Not Made Up

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
Germany	8	8.00	100
United States	6	6.22	96.54
Portugal	8	8.00	100
Belgium	8	8.00	100
United Kingdom	8	8.00	100

Source: WITS COMTRADE Database

Table 1.5 illustrates that the average applied tariff percentage of the United States is greater than bound tariff percentage while Germany, Portugal, Belgium and the United Kingdom is equal to bound tariff percentage. Hence their bound %age is 100. For the most developed economies, 100 percent of the tariff lines are bound.

Table 1.6

570232: Carpets & Textile Floor Coverings, Woven, Of Manmade Textile Materials, Of Pile Construction, Not Made Up

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
Germany	8	8.00	100
United States	7.5	7.66	97.88
Belgium	8	8.00	100
Portugal	8	8.00	100
Italy	8	8.00	100

Source: WITS COMTRADE Database

Table 1.6 illustrates that the average applied tariff percentage of the United States is greater than bound tariff percentage while Germany. Portugal, Belgium and the United Kingdom is equal to bound tariff percentage. Hence their bound % is 100. For the most developed economies, 100 percent of the tariff lines are bound.

Table 1.7

570239: Carpets & Textile Floor Coverings, Woven, Of Other Textile Materials, Of Pile Construction, Not Made Up

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
United States	1.8	2.18	82.59



United Kingdom	8	8.00	100
Germany	8	8.00	100
Italy	8	8.00	100

Source: WITS COMTRADE Database

Table 1.7 illustrates that the average applied tariff percentage of the United States is greater than bound tariff percentage while that of Germany, Italy and the United Kingdom are equal to bound tariff percentage. Hence their bound %age is 100. For the most developed economies, 100 percent of the tariff lines are bound.

Table 1.8

570241: Other Carpets & Floor Coverings Of Wool/Fine Animal Hair Of Pile Construction, Made Up

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
United Kingdom	8	8.00	100
Germany	8	8.00	100

Source: WITS COMTRADE Database

Table 1.8 illustrates that the average applied tariff percentage of Germany and the United Kingdom is equal to bound tariff percentage. Hence their bound %age is 100. For the most developed economies, 100 percent of the tariff lines are bound.

Table 1.9

570249: Carpets & Textile Floor Coverings, Woven, Of Other Textile Materials, Of Pile Construction, Made-Up

Top Export Destinations from India	Bound Tariff (%)	Average Applied Tariff (%)	Bound (%)
United States	1.33	1.75	75.84
United Kingdom	8	8.00	100
Belgium	8	8.00	100

Source: WITS COMTRADE Database

Table 1.9 illustrates that the average applied tariff percentage of the United States is greater than bound tariff percentage while that of Belgium and the United Kingdom are equal to bound tariff percentage. Hence their bound %age is 100. For the most developed economies, 100 percent of the tariff lines are bound.

CONCLUSION

Some countries, especially those with higher bound tariffs, decide to set their actual tariffs at lower levels than their bound rates. The actual tariff rate is called the applied tariff rate. The tables displayed above, from table 1.1 to 1.9 list the average applied tariff rates and bound tariffs for a selected set of WTO member countries. Also listed are the percentage tariff binding. For products that have no tariff binding,



the country is free to set whatever tariff it wishes. These tables reveal that: more-developed countries tend to apply lower average tariffs than less-developed countries (LDCs); the average bound tariff rates are higher for less-developed countries. This means that the WTO agreement has not forced LDCs to open their economies to the same degree as developed countries; The less developed a country, the fewer tariff categories are bound. For LDCs, applied tariffs are set much lower on average than the bound rates. These countries have the flexibility to raise their tariffs without violating their WTO commitments. WTO-sanctioned trade remedy actions can be used. It can be concluded that India is facing more tariff in developed countries as compare to developing countries.

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