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EFFECT OF NON TARIFF BARRIERS ON SSIS

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Non-Tariff Measures (NTMs) or Non-Tariff Barriers (NTBs) is not entirely self-evident. Baldwin (1970) in his seminal work defines "non-tariff distortion as any measure (public or private) that causes internationally traded goods and services, or resources devoted to the production of these goods and services, to be allocated in such a way as to reduce potential real world income"[1] This is a useful definition but is problematic in the context of defining "potential" real world income. Deardorff and Stern (1997) have authored the most recent work, but they use the term, non-tariff barriers (NTBs). [2] According to them, NTBs have the following stylized characteristics, namely reduction in quantity of imports, increase in the price of imports, change in elasticity of demand for imports and variability and uncertainty in their implementation. While the authors' analysis is mostly theoretical, they propose a classification system, which has, at its core, price (other than tariffs) and quantity border measures.

UNCTAD's TRAINS (Trade Analysis and Information System) classification defines over 100 different types of NTMs, and a much smaller subset called "hard core measures" that includes quantity control measures excluding tariff quotas and enterprise specific restrictions; finance measures excluding regulations concerning terms of payment; and price control measures.[3] However, this classification excludes many internal regulatory measures that can also discriminate against imports such as production subsidies, tax concessions, and discriminatory government procurement. Yet another problem with this classification is that it does not distinguish between NTMs that are GATT consistent and not GATT consistent.

Finally there is the WTO inventory of NTMs based on notifications collected from national sources, which in the view of notifying contracting parties constitute non-tariff measures. This inventory includes licenses, quotas, prohibition, voluntary export restraints, plus information related to custom surcharges, minimum import prices, additional taxes and charges and approval process for imports and exports.

In general, NTMs cover all measures affecting trade, there is no single internationally agreed list of NTMs. other than tariffs, and hence any list of NTMs will be very long, and is probably continuously growing as governments invent newer and newer measures.

Countries use many mechanisms to restrict imports. Till the beginning of 1970s, tariffs (custom duties) were the principal mode of protectionism. But with successive rounds of GATT negotiations, there was a large drop in the average tariff levels of manufactured goods in the developed country markets. When tariffs paled into insignificance, these countries resorted to a form of administered protection known as Non-Tariff Measures (NTM) - Quantitative restrictions, tariff quota, voluntary export restraints, orderly marketing arrangements, export subsidy, export credit subsidy, government procurement, import licensing, antidumping/countervailing duties, technical barriers to trade, to name a few. It was a return to protectionism harder and more expensive than in the 1950's and 1960's. In the 70s and 80s NTMs spread from textiles and clothing to steel, cars, shoes, etc. Although measurement problems are difficult, it is estimated that in 1986, 16 percent of imports of industrial countries were subject to "hard core" NTMs: Quotas, non-automatic licensing and variable tariffs. If one broadens the definition of NTMs to include state monopolies, import surveillance (including automatic license) countervailing duties and antidumping provision, the results are more convincing.

Between 1995 and 2000, according to reliable information[4], WTO members reported 1441 antidumping investigations. In the Uruguay Round, the approach for dealing with NTMs was to bring existing barriers into the domain of multilateral negotiations, strengthen rules governing their use, develop investigation mechanisms to

[1] Baldwin, R (1970), Non-Tariff Distortions in International Trade, Brookings Institutions, Washington, D.C.

[2] Deardorf, A and R. Stern (1997), "Measurement of Non-Tariff Barriers", OECD Economics Department Working Paper No.179, Paris, OECD.

[3] See Malcolm Bosworth, (1999), "Non-Tariff Measures As Trade Barriers: Yesterday's Problem or What?" paper prepared for the OECD Workshop with non-Member Economies on Barriers to Trade in Goods and Services in the Post Uruguay Round Context, Paris, 27-28 Sept. 1999.

[4] Prusa, T.J. (2003), "The Growing Problem of Anti-Dumping Protection and What It Means for the Asia-Pacific Region", mimeo.