



FROM TARIFF TO NON TARIFF MEASURES: COMPARATIVE ANALYSIS OF DEVELOPED AND DEVELOPING NATIONS

Mohd.Saif Alam

Post Doctoral Fellow, Department of Commerce, University of Lucknow, Lucknow-U.P, India.

Abstract

Over the years and more over after the establishment of WTO, multilateral trade negotiations have helped to substantially reduce tariff barriers. The reduction in tariff barriers have brought new topic to the forefront i.e. non tariff measures, in the name of protection and regulatory measures, there has been increased used of NTM which hampers the free flow of international trade. Non-tariff measures include a very diverse array of policies that countries apply to imported and exported goods. Some NTMs are manifestly employed as instruments of commercial policy (e.g. quotas, subsidies, trade defence measures and export restrictions), while others stem from non-trade policy objectives (e.g. technical measures).

The present study deals with finding the growth of NTM as compared to tariff barriers and category wise increase in NTM. Secondly comparing the NTM that are put into force by developed and developing nations and finally the region wise and country wise share in total NTM that are put inform 2014. The present paper uses the secondary method of data collection and the major source of information is the official website of World Trade Organisation (WTO).

Keywords: *Non Tariff Measures, Protection, Regulatory Environment, Developed Countries.*

Introduction

Over the years and more over after the establishment of WTO, multilateral trade negotiations have helped to substantially reduce tariff barriers. The reduction in tariff barriers have brought new topic to the forefront i.e. non tariff measures, in the name of protection and regulatory measures, there has been increased used of NTM which hampers the free flow of international trade.

For practical purpose, the commonly used definition of NTMs is as follows:

“Non-tariff measures (NTMs) are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both”. (UNCTAD, 2010).

A first category of NTMs are those imposed on imports. This category includes import quotas, import prohibitions, import licensing, and customs procedures and administration fees. A second category of NTMs are those imposed on exports. These include export taxes, export subsidies, export quotas, export prohibitions, and voluntary export restraints. These first two categories encompass NTMs that are applied at the border, either to imports or to exports. A third and final category of NTMs are those imposed internally in the domestic economy. Such behind-the-border measures include domestic legislation covering health/technical/product/labor/environmental standards, internal taxes or charges, and domestic subsidies.

To facilitate data collection and analysis, the multitude of NTMs are often aggregated in various groups: hard measures (e.g. price and quantity control measures), threat measures (e.g. anti-dumping and safeguards), SPS standards TBTs and other categories such as export measures, trade related investment measures, distribution restrictions, restrictions on post-sales services, subsidies, measures related to intellectual property rights and rules of origin. The NTM classification encompasses 16 chapters (A to P) and each individual chapter is divided into groupings with a depth of up to three levels (one, two and three digits). Although a few chapters reach the three-digit level of disaggregation, most of them stop at two digits.

Literature Review

There have been several key studies over the years in international trade policy research illustrating, through quantification and modelling methodologies, the importance of NTMs and their economic effects. Many studies over the past decades have been based on the UNCTAD Coding System of Trade Control Measures (TCMCS) to identify the measures across countries and products. Apart from the theoretical arguments about the pitfalls associated with these trade-barrier measures and their economic outcomes, there have also been several attempts to appropriately convert non-tariffs into ad valorem equivalents (AVEs), which can be comparable across countries and sectors at the aggregate level.

The initial sets of studies on the definitions and issues related to the impact of NTMs were based on the pioneering research work of Baldwin (1970) and Corden (1971). According to Baldwin, NTMs are regarded as “any measure (public or private) that causes internationally traded goods and services to be allocated in such a way as to reduce potential real world income”.



Several authors have used these data sets by introducing methodologies to quantify the impact of these measures on trade through price, quantity and elasticity of demand for imports. Later on, many research documents provided a comprehensive overview of the issues related to NTMs and their economic impacts, including Feenstra (1988) and Deardorff and Stern (1985, 1998).

The above studies have identified three approaches to measure NTMs: frequency-type measures are based on counts of observed NTMs that apply to particular countries, sectors, or types of goods trade; price-comparison measures are computed as tariff equivalents; quantity-impact measures are based on econometric estimates of goods trade flows.

In line with these approaches, researchers have made attempts to quantify the overall trade policy through development of the Trade Restrictiveness Index, with notable contributions from Anderson and Neary (1996, 2005), Beghin and Bureau (2001) and Kee, Nicita and Olarreaga (2009). There are some studies that identify price and welfare impacts of NTMs by using older UNCTAD NTMs classifications (Ferrantino 2006, Fugazza and Maur 2008).

Objectives

1. To study the growth of NTM as compared to tariff barriers and category wise increase in NTM.
2. To compare the NTM those are put into force by developed and developing nations.
3. To find out country-wise contribution to NTM.

Research Methodology

In order to have a broad picture of the NTM that are in force, the sample will take into account all the developed and developing nations for whom the data is available. This paper is based on the secondary data that is available in printed/online form. Major source of information are the websites and online portal of UNCTAD, ITC-Market Access Map and WTO. UNCTAD TRAINS & WITS, WTO (I-Trade Intelligence Portal) have been accessed to get the detailed information on NTM.

Preliminary Findings

On the basis of the WTO-ITIP (2014) total of 34343 measures are put into force and 636 specific trade concerns. Out of the total measure applied and initiated major share is held by TBT and SPS, with share of 52.89% and 37.25% respectively, they together contribute around 90% to the total measure.

On the basis of the country analysis the data is available for 148 countries, based on the measures initiated and in force top slots held by United States, China and Brazil. Table 1.1 shows the share of top ten countries in the non tariff measures applied by all the countries in 2014. Total measures applied by all the countries stands at thirty four thousand and fourty three, this comprises the sum of the seven measures applied by the countries. Out of the countries that have applied the tariff at sometime or the other the maximum number number of measures are applied by United States of America followed by China and Brazil. Looking at the % share in the total U.S.A. enjoys the share of 12.48%, followed by 5.74% and 5.34% share of China and Brazil. Out of the total measures that are put in force the measures wise share reveals that maximum share is held by technical barriers to trade followed by sanitary and phytosanitary measures. Together they contribute around 90% of the total measures that are put in force and they least used measure is the countervailing duty with just share of .34% in the total measures that are put in force.

Region wise share in the total non tariff measures that are applied is shown in table 1.2. Region wise share in the total NTM shows that maximum measures is applied by Asian countries followed by South and Central America and North America. Their respective share stands at 26.96%, 20.79% and 19% respectively. These measures are less frequently used by the Least Developed Countries and Commonwealth of independent states, they contribute only 2.04% and 2.01% respectively.

Table 1.2 also shows the top three countries in each region with respect to the contribution it make to the overall region share. In Africa- Kenya, Uganda and South Africa holds the top slots in terms of the measures imposed under NTM. In Asia China, Korea and Japan are the leading countries imposing the NTM. Russia, Georgia and Ukraine are the countries in CIS who have imposed the maximum measures. In European region, Netherland, Switzerland and Czech Republic are the leading countries. Among least developed countries Uganda, Zambia and Tanzania have imposed maximum number of measures. In middle east Israel and Saudi Arabia have imposed maximum measure. In North America, United States and Canada tops the list. In South and Central America- Brazil, Chile and Argentina tops the list among imposing countries.

Out of the total seven measures initiated and in force Asian countries tops the list in four measure-ADP, QR, SG and TBT, in



remaining three measure North American nations tops the list in two measure-CV and SPS whereas European countries top the list in SSG.

Conclusion

Based on the above study it can be seen although there has been reduction in tariff with the establishment of WTO but on the other hand the NTM have increased a lot. Now the NTM is viewed as a measure hampering the trade and has resulted in trade distortion.

Of the total measures that are put in affect the major share is held by SPS and TBT. Most of the measures that are put in force are those initiated by developed nations.

Although talks are going on with respect to the management of NTM but still it will take long way to reach the platform. In the Bali conference it was expected that there will be some positive outcome but the core of the discussion was on the food security and no concrete results could be achieved on NTM.

References

1. Antras P, Staiger RW. Forthcoming. O/shoring and the role of trade agreements. American Economic Review.
2. Bagwell K, Staiger RW. 1999. An economic theory of GATT. American Economic Review 89: 215-48.
3. Bagwell K, Staiger RW. Forthcoming. Prot shifting and trade agreements in imperfectly competitive markets. International Economic Review.
4. Deardor/AV, Stern RM. 1997. Measurement of Non-tari/Barriers. Economics Department Working Paper, No. 179.
5. Irwin D, Mavroidis PC, Sykes AO. 2008. The Genesis of the GATT (Cambridge University Press).
6. Kee HL, Nicita A, Olarreaga M. 2009. Estimating Trade Restrictiveness Indices. The Economic Journal 119.
7. Matsuyama K. 1990. Perfect equilibria in a trade liberalization game. American Economic Review 80: 480-92.
8. OECD. 2005. Looking Beyond Tari/s: The Role of Non-Tari/Barriers in World Trade. OECD Trade Policy Studies.
9. Staiger RW, Sykes AO. 2011. International trade, National Treatment and Domestic Regulation. Journal of Legal Studies 40(2).
10. Staiger RW, Wolak F. 1994. Measuring Industry Specic Protection: Antidumping in the United States. Brookings Papers on Economic Activity: Microeconomics. Volume 1.
11. Sykes AO, 2005. The economics of WTO rules on subsidies and countervailing measures. In The World Trade Organization: Legal, Economic and Political Analysis. Vol. II, eds. Appleton A, Macrory P, Plummer M. Springer-Verlag.
12. WTO. 2014. World Trade Report 2014. Geneva.

	ADP	CV	QR	SG	SPS	SSG	TBT	Total	%
	1769	118	636	281	12793	581	18165	34343	
United States of America	254	59	13	10	2675	166	1110	4287	12.48
China	126	6		1	794		1043	1970	5.74
Brazil	164	5		4	954		708	1835	5.34
European Union	129	17	11	0	503	27	829	1516	4.41
Canada	51	16	13	3	835		549	1467	4.27
Korea, Republic of	45	0	92	4	474	38	599	1252	3.65
Japan	5	0	21	1	352	52	686	1117	3.25
Israel	9	0		2	9		862	882	2.57
Saudi Arabia, Kingdom of	0	0		0	107		762	869	2.53
Thailand	38	0	59	4	220		542	863	2.51

Source: Authors calculations.



Table 1.2: Regionwise and Country wise share in Total Measures

	ADP	CV	QR	SG	SPS	SSG	TBT	Total	% share in Total
Total Measures	1769	118	636	281	12793	581	18165	34343	100.00
Africa Total	59	1	20	25	242		1413	1760	5.12
Kenya	0	0		0	30		417	447	
Uganda	0	0		0	3		418	421	
South Africa	43	1		3	35		224	306	
Asia Total	675	14	438	93	3690	115	4235	9260	26.96
China	126	6		1	794		1043	1970	
Korea, Republic of	45	0	92	4	474	38	599	1252	
Japan	5	0	21	1	352	52	686	1117	
CIS Total	70	0	47	20	210		343	690	2.01
Ukraine	24	0	3	11	95		97	230	
Russian Federation	48	0	29	3	64		36	180	
Georgia	0	0	15	0	22		82	119	
European Union	267	18	63	49	1181	269	3705	5552	16.17
European Union	129	17	11	0	503	27	829	1516	
Netherlands	0	0		0	68		615	683	
Switzerland	0	0	21	0	72	7	247	347	
LDC Total	0	0	20	5	83		591	699	2.04
Uganda	0	0		0	3		418	421	
Zambia	0	0		0	4		44	48	
Tanzania	0	0		0	1		44	45	
Middle Eaast Total	9	0		18	437		2960	3424	9.97
Israel	9	0		2	9		862	882	
Saudi Arabia, Kingdom of	0	0		0	107		762	869	
Bahrain, Kingdom of	0	0		0	153		349	502	
N.America total	356	77	26	15	3771	166	2113	6524	19.00
United States of America	254	59	13	10	2675	166	1110	4287	
Canada	51	16	13	3	835		549	1467	
Mexico	51	2		2	261		454	770	
South & Central America	331	8	42	61	3266	31	3401	7140	20.79
Brazil	164	5		4	954		708	1835	
Chile	5	0		15	477		346	843	
Argentina	123	0		6	178		340	647	

Source: Authors calculations.