

NON-TARIFF BARRIERS :
WITH REFERENCE TO L.D.Cs -
A SURVEY OF LITERATURE.

AWALE K. G.

A DISSERTATION SUBMITTED TO THE
UNIVERSITY OF POONA .
IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF
MASTER OF PHILOSOPHY IN ECONOMICS

GOKHALE INSTITUTE OF POLITICS AND ECONOMICS
PUNE 411004

JULY 1986

(i)

ACKNOWLEDGEMENT

I am heavily indebted to Prof B.G.Bapat for the guidance and encouragement during the course of preparing this dissertation.

I am grateful to the authorities of the Gokhale Institute for the award of the U.G.C. Fellowship, and the excellent library facilities provided.

Shri D.N.Sarode of Modern Enterprises, deserves praise for the neat and efficient typing of the manuscript.

Gokhale Institute of
Policies & Economics
Pune 411 004

AWALE K.G.

July 1986.

CONTENTS

	<u>PAGE</u>
ACKNOWLEDGEMENT	
LIST OF TABLES	
LIST OF FIGURES	
INTRODUCTION	1
CHAPTER I	
DEFINATION AND CLASSIFICATION	7
1.1 Introduction	7
1.2 Causes for increase in Non-Tariff Barriers	7
1.2.1 Causes due to inherent defect in G.A.T.T.	7
1.2.2 Recent reasons	8
1.3 Conclusion	10
1.4 Brief Historical overview of Non-tariff Barriers	10
1.5 Extent of Non-Tariff Barriers	11
1.6 Definition of Non-Tariff Barriers	12
1.6.1 Introduction	12
1.6.2 Some important definitions	12
1.6.3 Critical evaluations of the definition	14
1.7 Why are they Called "Hidden" or "Invisible Barriers"	15
1.7.1 Some NTBs are not published	16
1.7.2 NTBs overlap	16
1.7.3 Interchangeable	16
1.7.4 Deceive the appearance	17
1.7.5 Have administrative discretion	18

1.7.6	Secrecy in rules	18
1.7.7	Creates uncertainty, due to continuous change	18
1.8	Classification of NTBs	19
1.8.1	Type I (Pure NTBs)	19
1.8.2	Type II (Quasi NTBs)	20
1.8.3	Type III (Accidental NTBs)	20
1.8.1.1	Type I (Pure NTBs) Group A	20
1.8.1.2	Type I (Pure NTBs) Group B	21
1.8.2.1	Type II (Quasi NTBs) Group A	22
1.8.2.2	Type II (Quasi NTBs) Group B	22
1.8.3.1	Type III Accidental NTBs	23
CHAPTER II	SOME IMPORTANT NON-TARIFF BARRIERS	24
2.1	Introduction	24
2.2	Quota	25
2.2.1	Introduction	25
2.2.2	Meaning	25
2.2.3	Types	25
2.2.4	Advantages of Quota over tariff	26
2.2.5	Disadvantages of Quota over tariff	27
2.2.6	Note	28
2.3	Voluntary Export Restraints	28
2.3.1	Introduction	28
2.3.2	Meaning	29
2.3.3	Illustration	29

2.3.4	Difference between Export Restraints and Quota	29
2.4	Minimum Prices	31
2.4.1	Introduction	31
2.4.2	Illustration	32
2.4.3	Conclusion	33
2.5	State Trading	33
2.5.1	Meaning	33
2.5.2	Similarity of State Trading and other NTBs like Quota	34
2.6	Government Procurement	34
2.6.1	Meaning	34
2.6.2	Government Procurement as NTB	35
2.6.3	Illustration	35
2.7	Health and Sanitary Standards	36
2.7.1	Introduction	36
2.7.2	How it restricts trade	36
2.7.3	Mark of origin regulation	37
2.7.4	Marketing Standards	37
2.7.5	Safety requirements	39
2.7.6	Health requirements	39
CHAPTER III	COVERAGE OF NTBS	42
3.1	Introduction	42
3.2	The Unctad Inventory approach	43
3.2.1.	Importance or use of Inventory	43
3.2.2	Indices	
3.2.3	Empirical findings	47
3.2.3.1	List of Agricultural products protected by NTBs	49

(v)

3.2.3.2	List of Manufactured goods protected by NTBs	49
3.2.3.3.	Observations	50
3.2.3.4	Causes for the protection of Agricultural goods	50
3.2.3.4(a)	Causes for the protection of Agricultural goods in E.E.C	50
3.2.3.4(b)	Causes for protection of Agricultural goods in U.S.A.	53
3.2.3.5	Causes for protection of Manufactured goods	53
3.2.4	Comparative analysis of NTBs in different countries	55
3.2.4.1	Observation on Table 3.3.1	61
3.2.4.2	Observations on Table 3.3.2	62
3.2.4.3	Observations on Table 3.3.3	62
3.2.4.4	Observations on Table 3.3.4	67
3.2.4.5	Observations on Table 3.3.5	67
3.2.4.6	Observations on Table 3.3.6	68
3.2.4.7	Observations on Table 3.3.7	73
3.2.4.8	Observations on Table 3.3.8	73
3.2.4.9	Observations on Table 3.3.9	74
3.2.4.10	Summary data derived from above Tables	76
3.2.4.11	Comparison between the restriction on the imports of developed countries and developing countries	78
3.2.5	A critique of Inventory approach	85

CHAPTER IV	SOME EMPIRICAL ESTIMATES SHOWING THE LOSS TO LDCs DUE TO NTBs, AND THE GROWTH OF NTBs, SINCE, 1974	87
4.1	Introduction	87
4.2	Emprical estimates showing loss to L.D.C.	88
4.3	Growth of NTBs, since 1974	94
4.3.1	Observations on Table 4.1	94
CONCLUSION		97
APPENDIX		103
BIBLIOGRAPHY		105

LIST OF TABLES

<u>TABLE</u>	<u>TITLE</u>	<u>PAGE</u>
3.1	Summary of Non-tariff Barriers applies by industrial countries on imports of selected agricultural commodities, from developing countries	41
3.2	Frequency and coverage indices for Non-tariff Barriers applied in major industrial markets (on goods from Developing Countries)	48
3.3	Share of imports subject to Non-tariff measures	57
3.3.1	The value of imports (from both developed and developing countries) subjected to respective NTB, in respective countries	58
3.3.2	Percentage of respective NTB, in the aggregate value of imports (from both developed and developing countries) subjected to NTBs.	59
3.3.3	Share of aggregate value of imports (from both developed and developing countries) subjected to respective NTB, in respective country	60
3.3.4	The value of imports (from developed countries) subjected to respective NTB, in respective countries.	64
3.3.5	Percentage of respective NTB, in the aggregate value of imports (from developed countries) subjected to NTBs	65
3.3.6	Share of aggregate value of imports (from developed countries) subjected to respective NTB, in respective country	66

(viii)

<u>TABLE</u> <u>FIGURE</u>	<u>TITLE</u>	<u>PAGE</u>
3.3.7	The value of imports (from developing countries) subjected to respective NTB, in respective countries	70
3.3.8	Percentage of respective NTB, in the aggregate value of imports (from developing countries) subjected to NTBs	71 71
3.3.9	Share of aggregate value of imports (from developing countries) subjected to respective NTB, in respective country	72
4.1	Managed Trade by Country (percentage of 1974 trade)	91
4.2	Commodities found to be controlled by importers	92
4.3	Frequency of Incidence of Selected import controls on manufactured goods in E.E.C., United States, and Japan	93

" INTRODUCTION "

The "Trade Barriers" are broadly divided into "Old Protection" and "New Protection". The Old Protection is called as "Tariff Barriers" while new protection as "Non-Tariff Barriers".

The Non-tariff barriers are also called as "Hidden Barriers" or "Invisible Barriers". The New protection differs from the old protection, both in terms of Spirit and method.

With the reduction of tariff barriers, under various multinational negotiations, like Dillion Round, Kennedy Round (carried under the auspices of G.A.T.T.) the relative importance of NTBs has increased.

Importance of the study of NTBs :-

Importance of the study of NTBs can be seen from two angles.

- a) Trade liberalisation and increase in World trade
- b) NTBs and the problems faced by LDCs.

In other words, the importance of the study of NTBs is reflected when one sees the prosperity in the post World War II period, due to liberalisation of trade, and also the close relation between NTBs and the various problems faced by developing countries.

According to Cassing (Portfolio, P 1) "And there is no doubt that the present day relative prosperity owes much to the liberal trade policies in the post World War II In the 25 years to 1973 world production grew at 5% a year, and world trade by 7% a year. But since 1973 growth has slowed and markets are closing. There is now concern that the steady progress towards trade liberalisation is threatened by a "New Protectionism".

b) Problems faced by LDCs and relation with LDCs :

The following problems faced by developing countries show a close relation and important bearing of NTBs.

1. Instability in export earnings.
2. Fluctuating prices of primary goods.
- which are their major exports.
3. Declining terms of trade.
4. Increasing debt.
5. Reduction in the pace of economic development.

Explanation :

This may be explained as follows :

The Developing Countries in order to accelerate the pace of their economic development, want to increase their exports, earn more foreign exchange, and thereby import the necessary technology

required for their development.

However, due to the different barriers, like tariff and NTBs, imposed by developed countries, the developing countries are not able to export more, as a result their export earnings are low.

Secondly, whatever they export do not fetch adequate earnings due to fluctuating prices (which, apart from other reasons, may be partly due to uncertainty created by arbitrary and adhoc NTBs).

The net result is increasing borrowings from developed countries to finance their (Developing Countries) development projects.

It not only increases the burden of the developing countries, in terms of repayment of the loan and interest, but the country becomes "a Pawn" in the hands of the developed countries. The developed countries would use the developing countries to fulfil their personal, political aims and objectives, at the cost of the Sovereignty and internal policies of the developing countries.

And, therefore, in order to step up the exports, and export earnings of the developing countries, the G.A.T.T. through various multinational negotiations had tried to reduce the tariff barriers.

However, a fear has been expressed, that, while tariff barriers are reduced, the NTBs are increased by the developed countries. Such a move may nullify, or worsen the trade liberalisation process.

In this context, it is important to study the trade barriers, particularly NTBs.

As Prof. Yeats (1979, P 19) , rightly states, "The survey of the nature and magnitude of the external trade barriers that limit LDC penetration of Industrial markets appears timely in view of the fact that trade liberalisation is assuming an increasingly important role in aspects of international development policy and discussions concerning dismantling the barriers".

Object of the Dissertation:-

In the context of the above analysis, in this dissertation, I will try to survey the literature on NTBs, to know :

1. What are NTBs
2. Which are the major NTBs
3. On what commodities are they imposed, of developing countries.
4. Are they increasing
5. What will be the benefit to developing countries,

if they are reduced, as suggested by different empirical findings.

6. Conclusion.

It must be noted, that the dissertation deals, in general with the NTBs, imposed by developed countries on the Visible (Merchandise) imports of Developing and Developed Countries.

It does not deal with NTBs imposed by developing countries on the imports from developed countries.

Secondly,,it does not deal with the NTBs imposed by developed countries on the Invisibles from developed countries.

Chapter Scheme :

The dissertation is divided into following chapters.

Chapter 1 : Deals with a brief Historical Review of NTBs, definitions of NTBs, why are they called "Hidden barriers", classification of NTBs.

Chapter 2 : "Some important NTBs"

Chapter 3 : Reviews the UNCTAD's Inventory Approach, as a method to measure the extent of NTBs - The "Frequency" and "Coverage Indices", and the lacuna in this approach.

It tries to state the reasons behind the restrictions of Agricultural goods in E.E.C. and, Industrial good, Textile, in the developed countries.

It does a comparative analysis to show, that, relatively the extent of NTBs, imposed by the developed countries, are more on the imports from developing countries, than on the imports from developed countries.

Chapter 4 : It states some of the empirical estimates, which shows the potential volume of LDC trade which would occur in the absence of NTBs, suggesting the losses to developing countries.

It also shows, after 1974, the NTBs on manufactured goods, like textile, leather goods, and footwear products, has increased, and since the developing countries have comparative advantage in the production of these goods, the future prospects of development, for the developing countries is indicated to be bleak. Unless the various codes stated in the Tokya Round are followed by the developed countries, and the G.A.T.T., also takes action against the violators.

Conclusion

Appendix

Bibliography.

CHAPTER - 1

DEFINITION AND CLASSIFICATION

1.1 Introduction :

One of the principles underlying the G.A.T.T. was, that, countries should rely exclusively on the tariff for control of imports. And, therefore, of the Twenty-three articles in the G.A.T.T. devoted to good conduct in trading relations, 14 prohibit or regulate the use of specified Non-tariff measures that can restrict imports. Exceptions were made for the use of quantitative restrictions for "Balance of Payments" reasons and for "trade in Agricultural Commodities", but these were intended to be used infrequently.

Unfortunately, the G.A.T.T. has not prevented the rapid growth in recent years of the use of non-tariff trade distorting measures by its signatory members.

1.2 Causes for increase in NTBs :

Causes for increase in NTBs can be divided into two types :

- a) Causes due to inherent defect in G.A.T.T.
- b) Recent reasons, caused due to reduction in tariff.

1.2.1 a) Causes due to inherent defect of G.A.T.T. are

- 1) "Grand-father Clause" (Protocal of Provisional

Application) which permitted countries acceding to the agreement to continue all pre-existing practices.

2) Absence of some non-tariff measures in G.A.T.T. regulations.

3) The Absence of any effective enforcement procedure in the Agreement. As Gerard and Victoria Curzon (1972, P 6) puts it - "In the absence of a court of arbitration issuing interpretations from time to time, the G.A.T.T.'s enforcement procedures are limited to discussing a notification or complaint inconclusively without attempting to rule against or in favour of it. If there are opposing views, there is usually no attempt to reconcile them and the working party involved simply tends to report all shades of opinion and leave it at that".

1.2.2 b) Recent reasons :

In recent years Non-tariff measures will become increasingly important barriers to trade and will demand greater attention due to following reasons.

1. Remarkable success in reducing tariffs during the Kennedy Rounds of Negotiations. According to E.H. Preeg (1970, P1), tariffs concessions on dutiable Non-Agricultural products by the four largest Industrial participants - U.K., U.S.A., E.E.C., and Japan averaged slightly more than 35% and covered

about \$ 20 billion of trade.

Such sharp reduction in tariffs has two implications :

a) If tariffs are reduced and NTBs are left untouched, existing NTBs must become relatively more important.

- Ingo Walter (1969, P 13)

b) In order to compensate domestic producers for loss of tariff protection it is likely that many non-tariff measures now dormant, would be rigorously applied, new measures introduced, and old ones amended to make them more effective in restricting trade - Yeats (1979, P 104) , Cassing (Portfolio P6).

As William B.Kelly Jr (1967, P 265) puts it "Such lowering of tariffs would be analogues to a lowering of the water level of the Atlantic ocean.- the mountains of the ocean floor that had hitherto been submerged would now become navigation hazards".

Or as B.A. Jones (1968, P2) puts it "The lowering of tariffs has in effect been like draining a Swamp. The lower water level has revealed all the snags and stumps of non-tariff barriers that still have to be clear away".

1.3 Conclusion :

1.3.1 The net result may be that , trade liberalisation sought through tariff cuts may not be achieved.

1.3.2 And therefore, Baldwin (1970, P 2) remarks "The Kennedy Round's neglect of non-tariff trade distortions was as disappointing as its tariff-reducing accomplishments were encouraging."

1.3.3 Similarly according to P.J. Lloyd (1972 P 1). An increase in the use of Non-tariff interventions had led to an increasing concern, that non-tariff interventions could become important in the increasing division of the world into trading Blocks the dangers of trade war, between blocks".

1.4 Brief Historical overview of Non-tariff Barriers :

The process of NTBs was initiated in 1950's by European Economic Community which forged its protectionist common Agriculture Policy.

In the 1950's and 1960's clothing and Textile was brought under Quota restraints.

In 1961, the United States pioneered "Voluntary" export restraints in a informal way for textile with Japan, but today it covers four-fifth of the World trade in textile.

My mid 1970's VER covered bicycle, electronic components, Television sets.

In 1973 VER was spread to Automobile and Steel products.

The use of discriminatory govt. procurement policies and govt. subsidies since 1973, has spread to steel and Shipbuilding Industries in the E.E.C.

1.5 Extent of NTBs :

1.5.1 According to Gerard and Victoria Curzon (1972, p 1) "The Industrial Committee, of the G.A.T.T., produced a consolidated list of some 800 non-tariff devices notified by one or more countries".

This indicates that the NTBs are widespread. It must, however, be noted that the NTBs have not emerged all of a sudden after 1950's, but they existed even when tariffs were the major barriers. Today, however, with the reduction of tariff barriers their relative importance and intensity has increased, and is growing; and unless checked, would be a grave threat to world trade. As Cassing (Portfolio, P 18) puts it, "In the 1930's the cost of the retreat from liberal trade was notoriously high. Today, with a much more sophisticated level of specialisation among major trading nations, the cost would be substantially higher".

1.6 Definitions of Non-Tariff Barriers :

1.6.1 Introduction :

According to Kiryoshi Kojima (1972, P 1) " Tremendous variety, substantial complexity and great tenacity are characteristics of Non-Tariff barriers. To give a clear definition of what is Non-Tariff barrier is most important and this is the first step to approaching and solving this non-tariff barrier problem. Because, if one is not clear of even what the non-tariff barriers are, or what one country calls a non-tariff barrier and another country does not, it will be difficult for these countries to even begin negotiations".

1.6.2 Following are some of the important definitions :

1) Prof R. Baldwin (1970 P 5) suggests that a non-tariff trade distorting policy is "any measure (Private or Public) that causes internationally traded goods and services, to be allocated in such a way as to reduce potential real world income".

"Potential real World Income is that level attainable if resources and outputs were allocated in an economically efficient manner".

2) According to William B.Kelly Jr. (1967, P 266). In the broadest sense "a nontariff barrier is any

law, regulations, or policy, or practice of a Government, other than an import duty, that has a restrictive effect on trade".

3) Kiyoshi Kojima (1972, P 3) defines Non-tariff barriers as "Measures other than tariffs that restrain or disturb free international trade, and are selective regulations which directly or indirectly discriminate between indigeneous and foreign goods."

4) According to Brian Griffiths (1976 P1) The term "Non-tariff barriers" now in common usage refers to policies and practices which either by design or accident protect or favour domestic producers vis-a-vis foreign suppliers at the expense of domestic consumers and tax payers".

5) According to P.J.Lloyd (1972 P1) The term "Non-tariff barriers" or "Non-tariff distortions" have come to be a shorthand for all these measures or instruments other than tariffs imposed by Governments which restrain or distort free international trade by discriminating between locally produced & imported goods".

6) According to Ingo Walter (1969, P18) "In the broadest sense, Non-tariff barriers to International trade encompass all private and governmental policies

and practices that serve to "distort" the volume. Commodity - Composition or direction of trade in goods and services".

1.6.3 Critical evaluations of the Definitions :

1) According to all the definitions, stated above, NTBs consists of all activities (Public or Private) other than tariff which distort International trade.

2) However, according to Ingo Walter it would be "nonsensical" to classify all actions as Non-tariff barriers. For example, Measures taken by a firm to reduce production costs, or prices, or increase product differentiation, or advertisement, cannot be called NTBs even though it may influence volume and composition of trade, when followed by import competing firms (reduce imports) or exporters (increase foreign sales)

Unless the purpose or "Intent " of these measures was to distort trade.

And therefore, Ingo Walter remarks (P 19) "Economists have contributed to the confusion surrounding NTBs by largely ignoring the problem of "Intent" of Non-tariff restrictions to trade, which is perhaps the governing element from a definitional stand point".

3) According to William B. Kelly Jr. (P 266), Kiyoshi Koshima (P 3) and P.J.Lloyd (P 1) , Exchange rate changes, Monetary and fiscal policies can have restrictive trade effects, but they are not usually regarded as Non-tariff trade barriers, because these measures are designed to maintain external Balance of Payment.

It may be, however, noted that Ingo Walter includes foreign exchange restrictions, variations in direct tax systems, under Type III Restrictions (accidental NTBs) instead of the pure NTB Category (Type I) on the grounds that these restrictions are used primarily as a substitute for depreciation (for B.O.P. purpose) without any attendant discrimination among goods.

It must be noted, however, that, Foreign exchange restrictions do apply unequally to different kinds of transactions such as tourism, investment and gifts.

1.7 Why are they called "Hidden" or "Invisible Barriers"

They are called as Hidden or Invisible barriers because "the incidence" or effect of them is not visible as in the case of tariff barriers. As Cassing (Portfolio P 2) puts it "Many such trade barriers, however, are not entirely transparent".

This can be illustrated by following points.

1.7.1 Some NTBs are not published :

The Schedules of Tariff barriers are published by the Govt. and International agencies. This is, however, not the case with NTBs. NTBs like variable levies, state trading, Health and Sanitary Standards, are not published by most of the Countries, nor reported to the International Organisation and hence their effect cannot be evaluated.

1.7.2 NTBs Overlap :

Many Non-tariff barriers overlap, in the sense, a given product is subject to several impediments (restrictions) and so it is difficult to isolate the impact of any given NTB - Yeats (P 113)

1.7.3 Interchangeable :

They are interchangeable, for example, the encouragement to local production and export given by discriminatory government purchasing could just as well be provided by a regional development grant, a high technology development subsidy or an international aid programme.

And therefore, Gerard and Victoria Curzon (1972 P 4) remarks, "In the same way that a sieve cannot be made more water-tight by plugging up one or two holes, so progress in controlling one Non-tariff

method of protection may be rendered nugatory by the fact that another is left untouched, since to some extent they are interchangeable."

1.7.4 Deceive the appearance :

Certain restrictions like Quota, Packaging regulations, Health and Sanitary conditions are visible (in the sense they are known) but will become NTBs, when they deceive the appearance.

As Cassing (p 2) puts it "Health and Sanitary conditions help to raise real National Income, but if applied intentionally, they will become barriers to trade."

The problem is, however, how to know whether it is intentional or not, and whether it is overemphasised or not ?

Secondly, how do we know that if they were removed, it would reduce or remove distortion ? As Yeats (P 106) puts it "Would removal of health and sanitary standards applied to agricultural products results in an increase or decrease in World Income if the resulting expansion in imports was accompanied by a reduction in community health standards ? While the Question can be resolved in theory, an answer may be unobtainable in practice".

1.7.5 Have administrative discretion :

Many of the instruments have a large element of administrative discretion, and since the decisions are adhoc, and arbitrarily taken by the executive, the rules which are being applied are far from clear, and hence the effects of NTBs cannot be evaluated.

1.7.6 Secrecy in rules :

They are further aggravated by the secrecy which surrounds many of these practices. This secrecy hides the rules which are being practised from the scrutiny of the economists and others, as a result quantitative analysis becomes difficult. For example, statistics relating to import prices affected by voluntary agreements, Discriminatory Sales taxes, imports which may be affected by standards and related regulations are not available.

1.7.7 Continuous change, creates uncertainty :

Continual change in these instruments, unlike tariffs which remains fixed for many years. The administrative discretion involved in many Non-tariff instruments, means, that there must be many decisions and changes made every year, and this creates an element of uncertainty, affecting trade.

As Cassing (P 12) remarks "The evenhandedness and transparency of the industrial countries commercial policies are disappearing ----- with arbitrary - - - - - , and often nonsensical - - - - conditions or agreements between government the amount of uncertainty in the trading community must increase and this further reduces trade. Least cost production is no longer a guarantee of sales in the presence of arbitrary - - - - Non-tariff barriers".

1.8 Classification of NTBs :

According to Ingo Walter (P 20). "It is perhaps most useful to group Non-tariff barriers by intent, because, there are a large number of distortions to trade which are generally considered NTB's, but which are applied without the specific purpose of impeding imports or artificially stimulating exports".

Accordingly the NTBs are classified under one of the following three ways :

1.8.1 Type 1 (Pure NTBs) :

Commercial policy measures designed primarily to protect domestic producers from foreign competition. They are also called as "Pure NTBs". They are further divided into "Import Directed" and "Export Directed" groups. The measures that affect foreign competitiveness in domestic market are import directed, and

those that affect the competitiveness of domestic firms in foreign markets are export directed.

1.8.2 Type II (Quasi NTBs) :

Measures designed to deal with problems not directly related to commercial policy, but which have been used on occasion to intentionally restrict imports or stimulate exports. They are also called as "Quasi NTBs".

1.8.3 Type III (Accidental NTBs) :

Measures applied with little or no intent to protect domestic industry, but which can have certain spill-over effects in the foreign trade sectors. They are also called as "Accidental NTBs".

Each of these three categories is further subdivided into group A or B. The measures under group A operates primarily through Quantitative restraint on trade.

While the measures under group B operate on production costs and prices.

1.8.1.1 Type I (Pure NTBs) :

Group A

1. Import Quotas : globally administered including unspecified import quotas.

2. Import Quotas : Selectively or bilaterally administered
3. Licensing : discretionary and restrictive.
4. Licensing : Liberal, including Licensing for statistical purposes.
5. Export restraints of a Voluntary nature, imposed by trading partners, both bilateral and multilateral.
6. Import Prohibitions : embargoes.
7. Import Prohibitions : selective with respect to origin.
8. State trading.
9. Domestic procurement practices by Public units.
10. Domestic content and other mixing regulations.

1.8.1.2 Pure NTBs

Group B

1. Variable levies or supplementary imports charges, including minimum price regimes.
2. Advanced deposit requirements
3. Anti-dumping and counter vailing charges.
4. Credit or other restraints on imports, through the financial sector.
5. Tax benefits for Import-Competing Industries.
6. Direct or Indirect subsidisation of Import - Competing industries, including credit subsidisation.

7. Special discriminatory internal transport charges.

1.8.2.1 Type II (Quasi NTBs) :

Group A

1. Communication - media restrictions
2. Quantitative marketing restraints.

1.8.2.2 (Quasi NTBs)

Group B

1. Packaging and labelling regulations, including mark of origin rules.
2. Health and sanitary regulations and quality standards.
3. Safety and Industrial standards and regulations.
4. Border tax adjustment.
5. Use taxes and excises.
6. Customs clearance and related practice.
7. Customs valuation procedures and related practices.
8. Customs classification procedures and related practices. It will restrict trade, when significant discretion is given to customs authorities in classifying imports into low tariff and high-tariff categories.

1.8.3.1 Type III (Accidental NTBs) :

1. Government manufacturing, Sales and trading monopolies covering individual products.
2. Government structural and regional development policy measures.
3. Government balance of payment policy measures.
4. Variations in National tax systems.
5. Variation in National Social insurance and related programmes.
6. Variations in allowable depreciation methods
7. Government financed research and development, and technology spill-overs from defence and other programmes.
8. Scale effects induced by Govt. procurement.
9. Variations in National Weights and Measures.
10. Discriminatory external transport charges
11. Transfer costs, like Docking and port delays
12. International Cartels
13. Variations in economic policies like National Monetary and fiscal policies.

CHAPTER - 2

" SOME IMPORTANT NON-TARIFF BARRIERS "

2.1 Introduction :

Even though the NTBs are widespread and Complex, as Gerard and Victoria Curzon puts it (1972, P 1) "The Industrial Committee of G.A.T.T. had produced a consolidated list of some 800 non-tariff devices notified by one or more countries". And , as also seen from the classification of NTBs in the previous Chapter. However, the most important NTBs, accounting for about 75% of the value of restricted trade, are :

1. Quotas
2. Voluntary Export Restrain
3. Minimum Prices
4. State Trading
5. Government Procurement
6. Health and Sanitary Standards.

This Chapter, therefore, tries to explain these NTBs.

2.2 " QUOTA "

2.2.1 Introduction :

When we take, both, Industrial and Agricultural trade together, Quotas are the most important type of Non-tariff barriers in quantitative terms. (Note : The magnitude or percentage is given in next Chapter) .

It must be noted, however, that Quantitative restrictions are outlawed by Article 11 in part II of the G.A.T.T. and therefore, are only "legal" if applied under pre-accession legislation (Grandfather Clause). The situation varies from country to country, but in a great many cases the legislation requiring the use of quantitative restrictions to limit imports goes back to the 1930s (Great Depression Period).

2.2.2 Meaning :

Quota means the importers (or exporters) are issued licences, and are permitted to import (or export) only a fixed quantity of the commodity.

2.2.3 Types :

A Quota may be either "global" or "Selective".

In the case of "global" Quota, the Volume , and the period of import is specified. It is not important from which country the imports are made. . Once the volume and time specified is elapsed, there will be no more imports, till the specified time elapses.

In the case of "specified" Quota, it is specified (indicated) about the volume of imports and the country from which imports are to be made.

2.2.4 Advantages of Quota over tariff :

The Quota has following advantages over tariff :

1) It has a greater flexibility and hence a valuable assets in countering short run, temporary disturbances, like sudden changes in the market for individual commodities, and temporary balance of payments problems.

The Quota's administrative flexibility derives from the fact that the Quotas can be imposed by a single unilateral action. In contrast, tariff increase need to be cleared in advance with members of trading blocks and are liable to retaliation in certain cases.

2) A Quota is ^a more certain measure than a tariff. The relative certainty of a Quota derives from the difficulty of estimating the appropriate tariff rate. The protectiveness of a tariff depends on the elasticities of foreign supply and domestic demand and supply.

The elasticities of such schedules, especially, over a range of prices are hard to predict quantitatively, accurately in advance.

2.2.5 Disadvantages of Quota over tariff :

Tariff is preferable to Quota on following grounds.

- 1) Quota leads to (fosters) favouritism and corruption as the licenses are issued by the bureaucrats to the importers.
- 2) There is a fear that a potential monopolist may turn out to be a actual monopolist, there by exploiting the consumer (the figure illustrating this is given in the appendix).
- 3) In the case of tariff, it is possible that the foreigners in order to retain their domestic share of exports, may lower the price, thereby benefitting the consumer, this does not occur in case of Quota.

4) In the case of tariff, the revenue goes to the Government, but under Quota it is uncertain -

a) It may go to Government if the License are auctioned among importers.

b) May go to foreign exporters, if they are better organised than importers of other country.

c) May go to domestic importers, if they are better organised than foreign exporters.

As a result of this, the terms of trade in case of tariff improves (if there is no retaliation) but in case of Quota, it is indefinite. (The figure illustrating this, is given in the appendix).

2.2.6 Note :

According to Jagdish Bhagwati, (1965)
"Tariffs and Quotas are equivalent only when the frame of reference is Static and Perfectly Competitive market exist both at home and abroad.

2.3 "VOLUNTARY EXPORT RESTRAINTS"

2.3.1 Introduction :

Throughout the 1960's and 1970's trading nations have witnessed an emerging form of protectionism that has moved alongside tariffs and Quotas as a major restrictive device.

2.3.2 Meaning :

This new measure of protectionism is the so called "Orderly Marketing Agreement" (OMA), which essentially is a market-sharing pact negotiated by trading partners. It's main purpose is to moderate the intensity of International Competition, hence allowing less efficient domestic producers to participate in markets that would have been lost to foreign producers that sell a superior product or price on a more competitive basis.

A typical pact consist of "Voluntary Export Restraints". The OMA covered trade in such commodities as Television sets, Steel, Shoes, Textiles, Calculator and Shipping.

2.3.3 Illustration :

For example, the United States Government may ask the Korean exports or Japanese exporters, to restrain (reduce) the export of Colour TV to U.S.A.

2.3.4 Difference between Export Restraints & Quota :

Export restraints, differs from Quota on following grounds.

1) Quota imposed unilaterally by the importing Country are said to be more rigid and harder to dispose, while Export Restriants are said to be more favourable to exporting countries than Quotas, because, they usually contain a negotiated growth rate and ensure regular consultation under the export restriants agreement, and thus speed the process of Liberalisation .

This however, may not be true, because export restraints are by definition, imposed by a powerful importing country, acting from a position of strength, in a necessarily discriminatory fashion, and as Gerard and Victoria Curzon (1972) puts it "It is frequent complaint that such "Voluntary" export restraints are negotiated "at the point of a gun"; if you do not limit exports, we will impose Quotas. This type of blackmail is bound to end in disaster sooner or later."

2) When Voluntary export restraints are successful, they have all the economic effects of an equivalent import quota, except for the revenue effect, which largely goes to foreign sellers; as has been indicated by the study of C. Fred Bergsten (1975, P 159). Similarly according to S.P.Magee's study, foreign steelmakers were able to capture two thirds

of the revenue in trade with the United States.

3) Voluntary Export restraints are also likely to be "less effective" than Quotas in limiting imports, because voluntary export restraints are usually administered by the exporting nations which only reluctantly agree to curb, their exports.

Further according to Gerard and Victoria Curzon (1972,P 15), "Generally the largest and most competitive suppliers agree to "restrain" shipments, while less efficient residual suppliers are generally left free to export what they can". For example, Japanese Steel had entered the United States by way of Canada to avoid the orderly marketing agreement on Japanese Shipments to the United States.

2.4 " MINIMUM PRICES "

2.4.1 Introduction :

This instrument is largely used by America, and is called "American Selling Price" (A.S.P.)

It must be noted, that, introduction of a system like A.S.P. would be in violation of G.A.T.T.'s Article 7, which states that "Countries should calculate duties on the basis of "Actual values" (that is, not arbitrary or fictitious value) but, the United State's practice predates it's membership in G.A.T.T. and is thus permissible under the

"grandfather" Clause.

This valuation procedure applies to benzenoid chemicals, rubber soled footwear, canned clams and certain woolen kint gloves.

2.4.2 Illustration :

Baldwin (1970, P 134) illustrate how the effect of A.S.P. valuation on duties collected varies, and thus acts as a NTB.

In calculating the duty to be paid on these items Customs officials use their American Selling Price, rather than the export value, for example, suppose the cost of producing a unit of some chemical product is \$ 150 in the United States and only \$ 90 in a foreign country (for simplicity transport cost is excluded). If a 40% tariff is levied on the American Selling Price value the duty will be $\$ 150 \times 0.40 = \$ 60$. Thus U.S. product will be able to compete with foreign producers in the U.S. market since the imported item will sell for $\$ 90 + \$ 60 = \$ 150$.

However, if the tariff is levied on the export value, the duty will be only $\$ 90 \times 0.40 = \$ 36$, and the foreign producers product would have an upper hand . If the normal valuation procedure were

followed a tariff of 67% ($\$ 90 \times 0.67 = \60) would be needed to raise the cost of imports to the level of U.S. production costs.

Even though we may have a contrary case when the U.S. price is less - But according to William B. Kelly (1967, P 291) "On an average A.S.P. about doubles the duties that would be normally collected."

Thus the A.S.P. System, provides a concealed protection to the producers of above items.

2.4.3 Conclusion :

However, during the Kennedy Round of G.A.T.T. negotiations, U.S. negotiators conditionally agreed to abolish the American Selling Price System on benzenoid chemicals in return for further, tariff cuts by other countries as well as certain Non-tariff Concessions.

2.5 " STATE TRADING "

2.5.1 Meaning :

State trading means, the state acting as an entrepreneur, buying and reselling, and sometimes manufacturing as well.

According to Article 14 of G.A.T.T., State trading should be conducted on strictly commercial

lines, without distinction between sources of supply on grounds of nationality.

This instrument is mainly used by E.E.C. and Japan.

2.5.2 Similarity of State Trading and other NTBs like Quota.

If state trading is used for protectionist or social purposes rather than for fiscal reasons, it's economic effect would be similar to those of quantitative restrictions, for example in France and U.K. the importation of coal, and liquid fuels, is monopolised by the state in order to protect domestic producers.

On the otherhand, if state trading is for revenue purpose, on goods like matches, salt, alcohol and tobacco, the effects would be similar to the imposition of a tariff.

2.6 " GOVERNMENT PROCUREMENT "

2.6.1. Meaning :

It signifies the state acting as a consumer, buying for its own consumption, and not for commercial re-sale to the public.

2.6.2 Government Procurement as NTB :

Government procurement is not a NTB, per-Se , but becomes NTB, when trade is restricted due to Government favouring domestic over foreign source of supply.

The means by which domestic producers are favoured, are numerous ranging from :

- 1) The terms for soliciting bids
- 2) The requirements placed on bidders
- 3) The criteria for selecting bids and awarding contracts, and
- 4) The extent to which contract terms are published.

2.6.3 Illustrations :

The following illustrations explains this point:

- 1) In Italy, "theoretically, foreign contractors may always participate in public call for bids", but taken into considerations must figure on so-called "trusted firms lists - These lists may only include Italian Contractors or foreign firms established in Italy."
- 2) In Belgium, bidding is limited to Belgian Companies or to companies whose capital is two-third in the hands of Belgian Contractors.

- 3) France ties substantially all of its foreign aid loans and grants to procurement within France.
- 4) Similarly, according to "Buy American Act" or "Buy Japanese" policy, the goods of domestic origin be purchased by federal agencies for use, except when, the domestic cost is considered unreasonable if it exceeds by 6% the foreign bid price.

2.7 HEALTH AND SANITARY STANDARDS

2.7.1 Introduction :

According to Article XX of G.A.T.T., Safety and Health measures should not be applied in a manner that would constitute unjustifiable discrimination between countries where the same conditions prevail.

However, Health and Sanitary standards has been largely used, as a NTB.

2.7.2 How it restricts trade :

It acts as a NTB, and restricts trade in two ways.

- 1) Since the standards or Technical Specification differ from country to country, a commodity produced according to the specification of one country cannot be sold in another country. This will increase the cost of production, due to the change in basic model

according to the specifications of different countries.

2) The importing countries often requires manufactures to submit their goods to testing by an approved testing station which certifies that they comply with the legal specifications. The certification and approval procedure may be costly and lengthy, thus discriminating imports against domestic product.

Following analysis explains some of the important instruments, which fall under this category and the way it distorts trade, and therefore an NTB.

2.7.3 Mark of Origin regulation : may be used as a protectionist device if they require that the country of origin be noted on the imported commodity "in a conspicuous place as legibly, indelibly and permanently as the nature of the article will permit".

2.7.4 Marketing Standards : discriminates against imports, through Advertisement and marketing regulations. The following examples, illustrates this.

" According to Independent Television Authority (ITA) of U.K. 86 percent of T.V. Screen time be reserved for domestic material. Thus, imported

material has access to only 14 percent of the ITA Screen time (i.e. 8 hours per week). Further restrictions relate to the prime evening time period during which no more than two of five programmes shown between 8.00 and 8.55 p.m. on Weekday evenings may be of U.S. origin. The 86/14 ratio of domestic to imported material not only reduces the quantity of sales but also depresses the prices of the material sold, the discriminatory restriction on the showing of material during prime evening time enhances the price - depressing effects." (William B. Kelly, Jr. 1967, P 305).

Similarly, an interesting case in point in the marketing standard applied to imported tomatoes by the U.S. Department of Agriculture (U.S.D.A.) At the request of import competing Florida suppliers, U.S.D.A. ruled that green tomatoes sold in the U.S. must be at least $2\frac{9}{12}$ " and ripe tomatoes at least $2\frac{17}{32}$ " in diameter. Although they apply to both U.S. grown and imported tomatoes, only about 15% of the American crop is affected while the regulations affect over half of the Mexican crop - Mexico is the chief supplier of tomato imports. The resulting in U.S. retail tomato prices is estimated to be well over 50% (The Wall street journal, March 4, 1969).

2.7.5 Safety requirements : are applied discriminately to the imports of transportation services on Public Carriers, automotive Vehicle, gas cylinders and Industrial Machinery.

For example, the maximum permissible speed for tractors, is 17 miles per hour in France, 13 miles per hour in Germany, and 10 miles in Holland. This means that French producers must modify their tractors for export to Germany or Holland (Baldwin 1970, P 15) This leads to two effects stated in the beginning.

Similarly, in the United States imports of boilers and pressure vessels are effectively excluded from some states and local communities by requirements that they be stamped with the seal of the American Society of Mechanical Engineers, which is not issued to manufacturers located outside the United States and Canada. (William B. Kelly Jr. 1967, P 306) .

2.7.6 Health requirements : Such restrictions impose costs on importers through service fees, additional processing required before sale, or long inspection delays. They may also result in substantial uncertainty on the part of importers.

For example, France prohibits the advertising of spirits distilled from grain but permits the advertising of spirits distilled from fruit. This prohibition is justified on health grounds, but protects French production of brandy from imports of whiskies and gin (from U.S.A. and U.K.) .

Similarly, in Germany, unless beer is made only from malt, yeast, hops and water, it cannot be sold as "beer". This restrictions effectively excludes imports of beer made from corn or rice.

Italy had closed its borders to imports of pigmeat from France because of one isolated case of severe fever in the pyrences.

U.S.A. had cut off all meat imports from that country as a result of an outbreak of hoof and mouth disease in a few sections of the country, even though the disease was not found in the sheep raising parts of Argentina.

The recent, illustration, that can be given, is that of Chernobal(U.S.S.R.) (Nuclear, Reactor Explosion), due to which the imports from Poland has been affected.

Non-Tariff Barriers Facing Developing Countries Table 3.1

Summary of Nontariff Barriers Applied by Industrial Countries on Imports of Selected Agricultural Commodities.

BTN Code	Product description	EEC*	Nontariff trade barriers imposed by			
			Japan	Norway	Sweden	USA
01.02	Bovine animals, live	VL		DL/GQ	VL	TQ
01.03	Swine	VL		DL/GQ	VL	TQ
02.01	Meat and edible offals	R/MP/P/ST/GQ/VL	DL/HS	DL/MP	VL	R/HS
02.06	Bacon, ham and pigmeat	VL	DL/HS	DL/MP	VL	
03.01	Fish, fresh or frozen	BQ	DL		L/MP/TC	HS
03.02	Fish, processed		DL		L/TC	HS
03.03	Shell fish		DL			
04.03	Butter	VL	ST	DL	VL	Q/HS
04.04	Cheese and curd	VL	DL	DL/GQ	VL	Q
04.06	Natural honey	L		DL		
07.01	Fresh vegetables	SR/MP/BQ/GQ/VL		DL/SR/MP	VL	HS
08.01	Tropical fruit	R/DL/GQ				
08.02	Citrus fruits		DL			
08.04	Grapes, fresh or dried	SR/DL				
08.11	Fruit, preserved	R	DL	DL		
10.01	Wheat & meslin	VL	ST/CA	ST	VL	Q/CA
10.02	Rye	VL		ST	VL	
10.03	Barley	VL	ST	ST	VL	
10.04	Oats	VL		ST	VL	
10.05	Maize	VL		ST	VL	
10.06	Rice	VL	ST			
11.01	Flour	VL	DL/CA	ST	VL/TC	Q/CA
11.02	Cereal groats and meal	VL	DL	ST	VL/TC	Q
16.01	Sausages	VL	DL		VL	
16.02	Prepared or preserved meat	VL	DL	DL	VL	
17.01	Beet and cane sugar	VL			VL	Q
17.02	Other sugars	VL	DL	DL/GQ	VL	Q
20.01	Pickled vegetables	L/Q/BQ/GQ	HS	DL		HS
20.02	Preserved vegetables	L/Q/BQ/GQ	DL/GQ	VL		
20.03	Preserved fruit	L		DL		
20.05	Jams & jellies	BQ/DL/VL	DL	DL		
20.07	Fruit and vegetable juice	L/BQ/GQ/DL	DL	DL/GQ		
22.05	Wines	MP		ST	ST	
22.06	Vermouths			ST	ST	
24.01	Tobacco, unmanufactured	ST	ST			
24.02	Cigars and cigarettes	ST/R	ST			
41.02	Bovine leather		DL			
41.03	Sheepskin leather		DL			
53.01	Wool, greasy					
53.06	Combed wool	DL/GQ				XR
55.01	Raw cotton					Q
55.05	Cotton yarn					XR

* Restriction imposed in whole, or in part, by EEC member countries.

Key BQ - bilateral quota, DL - discretionary licensing scheme use to control imports, HS = special health and sanitary prohibitions, CA = commodity agreements to restrict imports, XR = voluntary export restraints, SR = seasonal restrictions on imports, R = various trade restrictions, TQ = tariff quota, GQ = global quota, ST = state trading, VL = variable levy, TC = special compensatory taxes, MP = minimum import price system L = licensing of importers P = import prohibition.

Source : Alexander J Yeats "Effective Protection for Processed Agricultural Commodities a Comparison of Industrial Countries, Journal of Economics and Business, 29 (Fall 1976), p 39.

CHAPTER III

" COVERAGE OF NTBs"

3.1 Introduction :

To know the "restrictiveness" of non-tariff barriers, the analysis, should pass through three stages.

In stage one, we should try to know, out of the different commodities, exported by developing countries to developed countries, on which commodities the non-tariff barriers are imposed. This will be shown by "Frequency Index". After this we should try to find out the proportion of the value of imports, subjected to NTBs, in the total value of imports- This will be shown by "Coverage Index".

In otherwords, the "Frequency index" and "Coverage Index" helps us to know the extent of imports subjected to NTBs.

In stage two, by analysing the effects of different NTBs, on the price of the commodities, subjected to NTBs, we may be able to derive certain "rate" as in the case of "tariff rate".

In the third stage, by using the "rate" (derived), and with the help of the quantity reduced, of the commodities, subjected to NTBs, we

may be able to derive the "potential loss" to the country, exporting the commodity.

However, in this dissertation, we shall deal with only the first stage (the other stages will be dealt in further research) - since their analysis and study, which is complex, time consuming, does not fall in line with the limited scope of this dissertation. In other words, I first want to familiarize myself with the extent of this barrier, (which I have tried to do in this dissertation) and then further, pursue, the same in my future research .

3.2 THE UNCTAD INVENTORY APPROACH :

It is one of the procedures followed in the empirical evaluation of the importance of NTBs. It is prepared by UNCTAD's Secretariat, on the basis of the information submitted by the developing countries to the UNCTAD, relating to trade with the important 18 Industrialised countries.

3.2.1 Importance or use of Inventory :

1) It provides a concise easily accessible source of information on the type and frequency of NTBs applied to developing countries exports.

- 2) It helps the LDCs in planning new export ventures since it shows what artificial protectionist measures will be encountered in potential export markets.
- 3) It has been used by developing country representatives to the recent multilateral trade negotiations, since it provides negotiators with summary information on the trade barriers facing their countries products.
- 4) It is useful as a source of data for derivation of supplementary statistical information which can be employed for comparative analysis of NTBs in different Industrial Countries.

3.2.2 Indices :

In order to know which are the items in Agriculture and manufacturing sectors, subject to high restrictions, we make use of "Frequency" and "Coverage" Indices, (derived from UNCTAD's Inventory).

1) Frequency Index :

It shows the percent of tariff lines in major product groups covered by Non-tariff restraints. It is expressed as :

$$F_j = \frac{N_r}{N_j} \cdot 100$$

Where :

F_j = Frequency Index

N_r = Number of commodities subject to reported
NTBs within a given product class.

N_j = Total number of commodities in the class.

For example, If in a group there are 10 commodities,
and out of that suppose 5 are subject to NTBs, then
the Frequency Index will be 50%

$$F_j = \frac{N_r}{N_j} \cdot 100$$

$$= \frac{5}{10} \cdot 100$$

$$F_j = 50\%$$

However, merely having a high Frequency Index
we will not be able to indicate the extent of
protection. (whether the protection is significant
or low). Because, even if 50% of the commodities are
subject to NTBs, it does not mean the protection is
significant (high) because the value contributed
by these products in the total value of exports,
may be low, and hence we have to take into account
the value (figure) shown by coverage Index.

2) Coverage Index :

It shows the percentage of imports entering
the economy under NTBs in relation to total imports
for the commodity group.

It is expressed as :

$$C_j = \frac{M_r}{M_j} \cdot 100$$

Where :

C_j = Coverage Index.

M_r = Value of imports in each commodity
group subject to NTBs.

M_j = total value of imports in product group j .

For example :

In the above illustration, if the value of the 10 commodities, in the group, was 100, and if the value of the 5 commodities, subject to NTBs, was 70. Then the coverage Index will be 70%.

$$\begin{aligned} C_j &= \frac{M_r}{M_j} \cdot 100 \\ &= \frac{70}{100} \cdot 100 \end{aligned}$$

$$C_j = 70\%$$

Thus with the help of the above two Indices, we can say that the above five commodities are subject to high protection.

3.2.3 Empirical Findings :

We can explain, the first point, under the importance of Inventory (3.2.1) - ("It provide a concise applied to developing countries exports") with the help of Table 3.2 developed by Ingo Walter, by using the UNCTAD Inventory.

The Table shows, the coverage and Frequency Indices for NTBs applied in Major Industrial Countries.

Nontariff Barriers Facing Developing Countries

Table 3.2

Frequency and Coverage Indices for Nontariff Barriers Applied in Major Industrial Markets : e-digit and Selected Two-digit SITC Product Groups

SITC	DESCRIPTION	USA		UK		Japan		France		Germany		Sweden		Mean	
		Freq.	Cov.	Freq.	Cov.	Freq.	Cov.	Freq.	Cov.	Freq.	Cov.	req.	Cov.	Freq.	Cov.
0	Food and live animals	16	30	22	43	60	54	49	68	56	80	1	67	39	52
00	Live animals	17	28	--	--	50	49	50	49	50	98	3	69	48	71
01	Meat	24	60	17	34	42	22	58	67	50	89	3	100	43	67
02	Dairy products	50	97	67	77	67	42	67	100	67	100	0	100	59	70
04	Cereals	14	2	50	95	79	99	93	99	100	100	1	49	65	75
05	Fruit	--	--	27	28	59	52	27	63	45	67	--	35	28	48
06	Sugar	33	89	17	99	67	30	67	98	67	100	--	62	44	52
1	Beverages and tobacco	27	42	23	14	55	98	45	100	53	99	--	80	29	56
1.1	Beverages	20	79	20	26	60	96	40	100	80	100	--	99	34	71
12	Tobacco	33	5	25	2	50	100	50	100	25	98	--	60	23	40
2	Crude materials	3	14	1	0	6	7	4	5	2	5	--	2	3	4
22	Oilseeds and nuts	11	1	--	--	22	67	--	--	--	--	--	9	9	10
26	Textile fibres	8	67	--	--	--	--	--	--	--	--	--	6	4	9
29	Crude materials, n.e.c.	--	--	--	--	--	--	40	45	20	49	--	--	11	14
3	Mineral fuels	6	25	25	25	18	30	46	52	5	25	--	--	9	15
32	Coal and coke	--	--	100	100	60	100	20	70	20	100	--	--	18	38
33	Petroleum	25	100	--	--	12	19	12	10	--	--	--	--	7	16
4	Animal and vegetable oil	25	41	--	--	14	3	19	25	19	15	--	--	7	10
41	Animal oils and fats	50	75	--	--	--	--	50	65	50	44	--	--	11	14
	Fixed vegetable oils	--	--	--	--	42	9	8	10	8	2	--	--	7	11
5	Chemicals	51	47	--	--	7	33	18	24	5	13	--	5	7	13
51	Chemical elements	41	49	--	--	14	96	--	--	--	--	--	--	6	19
54	Medical products	63	38	--	--	14	100	14	100	--	--	--	--	9	20
56	Mfg. fertilisers	100	100	--	--	--	--	25	7	--	--	--	--	13	22
59	Misc. chemicals	60	38	--	--	20	23	20	11	20	18	20	11	14	10
6	Manufactured goods ²	15	22	3	13	9	24	14	18	3	9	1	3	4	8
61	Leather manufactures	--	--	--	--	56	93	--	--	--	--	--	--	3	5
62	Rubber manufactures	20	95	--	--	--	--	--	--	--	--	--	--	6	14
65	Textile manufactures	14	25	5	35	11	45	70	75	16	69	5	25	12	30
67	Iron and steel	74	73	26	80	3	--	50	70	--	--	--	--	11	16
7	Machinery and transport	37	49	1	13	25	65	39	42	2	23	3	12	14	15
72	Electrical machinery	78	72	--	--	29	58	25	30	--	--	--	--	10	15
73	Transport equipment	24	73	4	39	16	65	88	94	8	70	8	35	28	26
8	Miscellaneous manufactures	28	31	1	0	16	5	9	15	4	7	4	4	12	8
84	Clothing	57	92	--	--	--	--	45	85	29	51	14	3	12	26
85	Footwear	25	16	--	--	--	--	--	--	--	--	--	--	13	12
86	Precision instruments	--	--	77	3	7	35	14	16	--	--	--	--	4	11
89	Miscellaneous manufactures	14	10	--	--	3	3	3	2	--	--	14	26	3	4
	Total	27	39	10	13	34	32	20	5	15	26	14	12	17	19

Source : Derived from Ingo Walter, 'Nontariff Protection Among Industrial Countries : Some Preliminary Evidence', *Economia Internazionale* (May 1972) pp. 335-54.

3.2.3.1 List of Agricultural Products Protected by NTBs :

The following Agricultural products (as shown by high coverage and frequency index) are heavily protected by Nontariff barriers :

	Mean	
	<u>Frequency</u>	<u>Coverage</u>
1. Live animals	48	71
2. Meat	43	67
3. Dairy Products	59	70
4. Cereals	65	75
5. Fruits	28	48
6. Sugar	44	52
7. Beverage	34	71
8. Tobacco	23	40

3.2.3.2 List of Manufactured goods protected by NTBs :

	Mean	
	<u>Frequency</u>	<u>Coverage</u>
1. Medical Products	9	20
2. Textiles	12	30
3. Transport equipment	28	26
4. Clothing	12	26
5. Footwear	13	12
6. Coal	18	38

3.2.3.3 Observations :

By inter-relating Table 3.1 with Table 3.2 we can make the following observations.

1. In E.E.C. and Sweden, the agricultural imports are mostly restricted by variable levies.
2. In Japan the agricultural imports are largely restricted by state trading.
3. In U.S.A., Quota and Health standards are used to restrict agricultural imports.

While the manufactured goods are restricted by following NTBs,

1. In E.E.C. and Japan State Trading and discretionary Licensing scheme.
2. In U.S.A. Quota and voluntary export restraints.

3.2.3.4 Causes for the Protection of Agricultural goods :

3.2.3.4 a) Causes for the protection of Agricultural goods in E.E.C.

According to E.E.C's Treaty of Rome , "A Common Agricultural Policy" has been created, with a view to fulfill following objectives.

- 1) To create a common market in Agricultural products for it's members.
- 2) Provide for a fair standard of living for the agricultural community.

- 3) Stabilise markets
- 4) Ensure security of supply.
- 5) Maintain reasonable prices for consumers.

System of Protection :

To achieve these ends an intricate system of protection was evolved, It consist of :

- a) Mass market regulations
- b) Scheme for internal price support.
- c) External protection measures like tariff and levies.
- d) Production subsidies.

Example :

It can be proved with the help of the following examples, how variable levies restraint import of cereals into the E.E.C. countries.

Variable levy is laid according to the following formula.

$$P_t = K \quad (1)$$

$$(P_i - 0.1 P_t) \leq P_i \leq P_t \quad (2)$$

$$P_h = P_t - T_d \quad (3)$$

$$L_i = p_t - (p_w + T_d) \quad (4)$$

$$L_i \leq 0$$

Where,

1) P_t = Basic target price, Announced every year

before sowing season. It serves as a guide for producers in allotting future acreage.

2) P_i = Intervention price, It is the price guaranteed to producers and is 10 percent below target price.

3) P_h = Threshold price, it is equal to basic target price minus transport cost from a fixed port of entry to the centre of largest deficit.

4) P_w = World price levels

Example 1

$$P_t = 5$$

$$P_i = 4.50$$

$$P_h = 5 - 0.50$$

$$L_i = 5 - (4 + 0.50) \\ = 5 - 4.50$$

$$L_i = 0.50$$

Example 2

$$P_t = 5$$

$$P_i = 4.50$$

$$P_h = 5 - 0.50$$

$$L_i = 5 - (4.50 + 0.50) \\ = 5 - 5$$

$$L_i = 0$$

Explanation :

In example 1, the variable levy of 0.50 is imposed, since the World Price was 4, While in example 2.

Variable levy is 0, because the World Price is 4.50

Thus when levies are positive they hold demand for imported agricultural products below levels that would prevail in their absence.

Conclusion

Thus the Common Agricultural Policy has following disruptive effects on World trade flows :

- 1) Ensures stability for domestic producers.
- 2) Augments the instability in foreign producer's prices by increasing the inelasticity of World demand curves.
- 3) If certain items are produced in surplus, the excess will be disposed through export subsidies. Such disposal can displace exports from LDC's or other producer nations.

3.2.3.4 b) Causes for protection of Agricultural goods in U.S.A.

Sugar is the most protected commodity in America. The reason for the U.S.A. protective policy finds its roots in the twenties when Agriculture became a depressed sector. Land prices fell to the extent that many farmers were forced into bankruptcy. After World War II the U.S.A. government supported agricultural prices so that the agricultural sector retained some vestige of prosperity.

3.2.3.5 Causes for protection of Manufactured goods :

Apart from agriculture, the textile sector is of prime importance to developing countries. Specifically, LDC exports of cotton textiles and clothing is over 40 per cent of total manufactured goods exported by these countries.

The restraints on textile, are the result of the 1962 Long-term Arrangement regarding international trade in Cotton textiles and its successor, the 1974 Multifibre Arrangement (MFA). The 1974 arrangement continues a trend towards increasing protection for the industry as it has been considerably broadened to include all textiles and clothing. While the stated objective of these arrangements is to protect industrial markets from "disruption", the exports of many developing countries have been severely constrained by the terms of these agreements.

Thus originally an informal temporary agreement between the United States and Japan, the restraints on trade grew in depth and coverage. Today there are 41 signatories to the MFA which covers four-fifth of the World trade in Textiles and clothing.

3.2.4 Comparative analysis of NTBs in different countries :

We can explain the 3rd and 4th points under the importance of UNCTAD's Inventory (3.2.1), with the help of the following comparative analysis.

In this comparative analysis I shall try to answer following question.

1. What is the value of the imports subjected to respective NTB, in respective countries.
 - a) At the aggregate level (that is on the combined imports from developed and developing countries). This is explained with the help of Table 3.3.1 .
 - b) For the imports from developed countries. This is explained with the help of Table 3.3.4
 - c) For the imports from developing countries. This is explained with the help of Table 3.3.7
2. What is percentage of respective NTB, in the aggregate value of imports, subjected to NTBs
 - a) At the aggregate level. This is explained with the help of Table 3.3.2
 - b) For the imports from developed countries. This is explained with the help of Table 3.3.5
 - c) For the imports from developing countries. This is explained with the help of Table 3.3.8
3. What is the proportionate use of each NTB, in different countries.

- a) At the aggregate level. This is explained with the help of Table 3.3.3
 - b) For the imports from developed countries. This is explained with the help of Table 3.3.6
 - c) For the imports from developing countries. This is explained with the help of Table 3.3.9
4. Comparison between developed and developing Countries.
- a) Regarding the proportion of the value of their imports subjected to NTBs
 - b) To show how the imports from developing Countries are subjected to more NTBs, than the imports, from developed countries.
 - c) The difference in the structure, of NTBs, used for the imports, from developed countries, and developing countries.
5. Trying to analyse the reasons for the emphasis of the respective NTBs in different Countries, particularly E.E.C., U.S.A. and Japan, on the imports from developing Countries, and the commodities restricted by each NTB.

Share of Imports Subject to Non-Tariff Measures

Table 3.3

Importing Markets	Exporters	1976 Value of Total Imports (US \$ mill)	Price and Quantity Restriction				Other Non-Tariff Measures				
			Quotas and Licensing	Minimum Prices	Export Restraints	Variable Levies	Others	Health and Sanitary Standards	Cost Increasing Measures	State Trading	Others
EEC	Developed	78918.3	.081	.005	.013	.066	.024	.044	.002	.010	.064
	Developing	77297.6	.093	.004	.003	.025	.014	.025	.000	.126	.055
USA	Developed	67576.6	.026	.024	.010	---	---	.024	---	---	.040
	Developing	52499.7	.028	.002	.057	---	---	.021	---	---	.014
Japan	Developed	25796.4	.235	.021	---	---	---	.265	.037	.067	.000
	Developing	35811.2	0.16	.012	---	---	---	.102	.024	.004	.002
Canada	Developed	32308.2	.005	---	---	---	---	.014	---	.002	.011
	Developing	5378.1	.060	---	---	---	---	.002	---	.002	.012
Sweden	Developed	15341.0	.031	.001	---	.024	.002	.010	---	.005	---
	Developing	2521.9	.073	---	---	.033	.004	.017	---	.002	---
Switzerland	Developed	12815.3	.028	.027	---	.024	.004	.003	.001	.001	.020
	Developing	1388.3	.039	.052	---	.045	.004	.004	.001	.001	.014
Norway	Developed	9454.4	.015	.005	.000	---	.003	.004	---	.031	---
	Developing	1205.0	.018	.010	.000	---	.011	.001	---	.016	---
Austria	Developed	8186.8	.015	---	---	.017	.003	.005	---	.004	.003
	Developing	1057.3	.049	---	.013	.016	.001	.006	---	.008	.001

From UNCTAD. "Non-Tariff Measures Facing Developing Countries Exports of (Primary Commodities" Report by the UNCTAD secretariat, processed.

Table 3.3.1 : The value of imports (in U.S. \$ million) from both developed and developing countries) subjected to respective NTB, in respective countries.

(1) Importing Markets	(2) Quota & Licen- sing	(3) Minimum Prices	(4) Ex- tra Restra- ints.	(5) variable Levies	(6) Others	(7) Health & Sanitary Standard	(8) Cost Incre- asing Meas- ures	(9) State Trad- ing	(10) Others	(11) Total of the imp- orts sub- jected to NTBs	(12) Value of Total Imports (U.S. \$ mill)	(13) Percentage of or Value of imports subje- cted to NTBs.
E.E.C.	13581.05	703.78	1257.83	7141.05	2976.20	5404.85	157.84	10528.67	9302.13	51053.4	156215.9	0.3268
U.S.A.	3226.98	1726.83	3668.25	--	--	2724.33	--	--	3438.05	14784.44	120076.3	0.1231
Japan	6635.12	971.45	--	--	--	10488.79	1813.93	1871.60	71.62	21852.51	61607.6	0.3547
Canada	484.22	--	--	--	--	463.06	--	75.37	419.92	1442.57	37686.3	0.0382
Sweden	659.66	15.34	--	451.40	40.76	196.28	--	81.75	--	1445.19	17862.9	0.0809
Switzerland	412.97	418.20	--	370.04	56.81	44.00	14.20	14.20	275.83	1606.25	14203.6	0.1130
Norway	163.51	59.32	--	--	41.61	39.02	--	312.37	--	615.83	10659.4	0.0577
Austria	174.60	--	13.74	156.09	25.61	47.27	--	41.20	25.61	484.12	9244.1	0.0523
Total	25338.11	3894.92	4939.82	8118.58	3140.99	19407.60	1985.97	12925.16	13533.27	93284.31	427556.1	0.2181

Source : Based on Table 3.3

Table 3.3.2 : Percentage of respective NTB , in the aggregate value of imports
(from both developed & developing countries) subjected to NTBs

(1)	(2) Quota & Licensing	(3) Minimum Prices	(4) Export Restraint.	(5) Variable Levies	(6) Others	(7) Health & Sanitary Standard	(8) Cost Increa- sing Measures	(9) State Trading	(10) Others
Aggregate of the value of imports, (from both developed & developing countries) subjected to respective NTBs	25338.11	3894.92	4939.82	8118.58	3140.99	19407.6	1985.97	12925.16	13533.27
Aggregate value of imports (from both developed & developing countries) subjected to NTBs	93284.31	93284.31	93284.31	93284.31	93284.31	93284.31	93284.31	93284.31	93284.31
Percentage of respective NTB in the aggregate value of imports (from both developed & developing countries) subjected to NTBs.	27.16	4.17	5.29	8.70	3.36	20.80	2.12	13.85	14.50

Source : based on Table 3.3.1

Table 3.3.3 : Share of aggregate value of imports (from both developed and developing countries)
Subjected to respective NTB, in respective country

(1) Importing Markets	(2) Quota & Licensing	(3) Minimum Prices	(4) Exports Restrains	(5) Variable Levies	(6) Others	(7) Health & Sanitary Standard	(8) Cost Incre- asing Meas- ures	(9) State Trading	(10) Others	(11) Share of Total Value of import subjected to NTBs	(12) Share of value of Total imports	(13) Percentage of the share of total value of imports subje- cted to NTBs.
E.E.C.	0.5359	0.1806	0.2546	0.8795	0.9475	0.2784	0.0794	0.8145	0.6873	0.5472	0.3654	1.50
U.S.A.	0.1273	0.4433	0.7425	---	---	0.1403	---	---	0.2540	0.1584	0.2808	0.564
Japan	0.2618	0.2494	---	---	---	0.5404	0.9133	0.1448	0.0053	0.2342	0.1441	1.625
Canada	0.0191	---	---	---	---	0.0238	---	0.0058	0.0310	0.0155	0.0881	0.175
Sweden	0.0260	0.0039	---	0.0556	0.0129	0.0101	---	0.0063	---	0.0155	0.0418	0.371
Switze- rland	0.0162	0.1073	---	0.0456	0.0180	0.0023	0.0071	0.0011	0.0204	0.0172	0.0332	0.518
Norway	0.0065	0.0152	---	---	0.0132	0.0020	0.0020	0.0241	---	0.0066	0.0249	0.265
Austria	0.0069	---	0.0028	0.0192	0.0082	0.0024	---	0.0032	0.0019	0.0052	0.0216	0.241
Total	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	

Source : Based on Table 3.3.1 and Table 3.3.2

3.2.4.1 OBSERVATIONS ON TABLE 3.3.1 : (Aggregate Level)

1. 21.81% of the total value of imports (from both developed and developing countries) is subjected to NTBs. This percentage is quite significant (high) because, when this percentage is combined with the percentage of trade subjected to tariffs, the total world trade subjected to barriers would be very high.

2. Japan is the most restricted country (subjecting 35.47% of the value of its imports) followed by E.E.C. (32.68%) and U.S.A. (12.31%) respectively. The restriction in Japan is about three times as high as it is in the U.S.A., Canada being least protected country (3.82%).

This conclusion is also confirmed, (by Table 3,3.3 column 13) when we look to their respective proportion in the total value of imports and the proportion in the value of imports subjected to NTBs.

3.2.4.2 OBSERVATIONS ON TABLE 3.3.2

This table helps us to highlight which NTB is the most restrictive NTB (with the help of the proportion in the total value of imports subjected to NTBs).

We come to following conclusions :

1. Quota and Licensing is the most restrictive NTB (accounting for 27.16%) of the total value of imports subjected to NTBs).
2. Health and sanitary standards is the second most restrictive NTB (accounting for 20.80%).
3. State Trading is third most restrictive NTB (accounting for 13.85%).
4. Variable levies and Export Restraint account for (8.70%) and (5.29%) respectively.

3.2.4.3 OBSERVATIONS ON TABLE 3.3.3

This table helps us to know the proportionate use of each NTB, in different countries.

1. The main user of Quota & Licensing is E.E.C. (53.59%), followed by Japan and U.S.A. respectively

It's use, in comparison to U.S.A.'s use, is about 4 times more in E.E.C. and 2 times more in Japan.

2. The main user of minimum prices is U.S.A. (44.33%) followed by Japan and E.E.C.

3. The main user of Export restraint is U.S.A. (74.25%) followed by E.E.C. It is not used in Japan.

4. Variable levies is mainly used in E.E.C. (87.95%). It is not used in U.S.A. and Japan.

5. Health and sanitary standards is used in all countries. The main user is Japan (54.04%) followed by E.E.C. and U.S.A. It's use in comparison to U.S.A.'s use is about 4 times more in Japan & twice more in E.E.C.

6. State Trading is also used by all countries except, U.S.A. The main user of this instrument is E.E.C. (81.45%). It's use, in comparison to Japan's use, is about 6 times more in E.E.C.

Table 3.3.4 : The value of imports (in U.S. \$ million, from developed countries) subjected to respective NTB , in respective countries

(1) Importing Markets	(2) Quota & Licen- sing	(3) Minimum Prices	(4) Exports Restr- ints	(5) Variable Levies	(6) Others	(7) Health & Sani- tary Stan- dard	(8) Cost Incre- asing Meas- ures	(9) State Trading	(10) Others	(11) Total value of imports subjected to NTBs	(12) Value of Total Imports	(13) Percentage of Value of imports subje- cted to NTBs
E.E.C.	6392.38	394.59	1025.94	5208.61	1894.04	3472.41	157.84	789.18	5050.77	24385.76	78918.3	0.309
U.S.A.	1756.99	1621.84	675.77	---	---	1621.84	---	---	2703.06	8379.50	67576.6	0.124
Japan	6062.15	541.72	---	---	---	6836.05	954.47	1728.36	---	16122.75	25796.4	0.625
Canada	161.54	---	---	---	---	452.31	---	64.62	355.39	1033.86	32308.2	0.032
Sweden	475.57	15.34	---	368.18	30.68	153.41	---	76.71	---	1119.89	15341.0	0.073
Switzer- land	358.83	346.01	---	307.57	51.26	38.45	12.82	12.82	256.40	1384.16	12815.3	0.108
Norway	141.82	47.27	---	---	28.36	37.82	---	293.09	---	548.36	9454.4	0.058
Austria	122.80	---	---	139.18	24.56	40.93	---	32.75	24.56	384.78	8186.8	0.047
Total	15472.08	2966.77	1701.71	6023.54	2028.90	12653.22	1125.13	2997.53	8390.18	53359.06	250397	0.2131

Source : based on Table 3.3

Table 3.3.5 : Percentage of respective NTB, in the aggregate value of imports (from developed countries) subjected to NTBs

(1)	(2) Quota & Licen- sing	(3) Minimum Prices	(4) Export Rest- raint.	(5) Variable Levies	(6) Others	(7) Health & Sanitary Standard	(8) Cost Increa- sing Measures	(9) State Tra- ding.	(10) Others
Aggregate of the value of imports (from developed country) subjected to respective NTB	15,472.08	2,966.77	1,701.71	6,023.54	2,028.9	12,653.22	1,125.13	2,997.53	8,390.18
Aggregate value of imports (from developed country) subjected to NTBs	53,359.06	53,359.06	53,359.06	53,359.06	53,359.06	53,359.06	53,359.06	53,359.06	53,359.06
Percentage of respective NTB in the aggregate value of imports (from developed country) subjected to NTBs.	28.99	5.56	3.18	11.28	3.8	23.71	2.1	5.61	15.72

Source : based on Table 3.3.4

Table 3.3.6 : Share of aggregate value of imports (from developed countries) subjected to respective NTB, in respective country.

(1) Importing Markets	(2) Quota & Licen- sing	(3) Minimum Prices	(4) Exports Restra- ints.	(5) Variable Levies	(6) Others	(7) Health & Sani- tary Stan- dard.	(8) Cost Incre- asing Meas- ures	(9) State Trad- ing.	(10) Others	(11) Share of total value of import subjected to NTBs	(12) Share of Value of Total Imports	(13) Percentage of the share of Total value of imports subje- cted to NTBs.
E.E.C.	0.4131	0.1330	0.6029	0.8647	0.9335	0.2744	0.1403	0.2633	0.6020	0.4570	0.3152	1.44
U.S.A.	0.1135	0.5467	0.3971	---	---	0.1282	---	---	0.3221	0.1570	0.2699	0.5817
Japan	0.3918	0.1826	---	---	---	0.5403	0.8483	0.5766	---	0.3022	0.1030	2.9340
Canada	0.0104	---	---	---	---	0.0357	---	0.0215	0.0424	0.0194	0.1290	0.1504
Sweden	0.0307	0.0052	---	0.0611	0.0151	0.0121	---	0.0256	---	0.0210	0.0613	0.3426
Switzer- land	0.0232	0.1166	---	0.0510	0.0253	0.0030	0.0114	0.0043	0.0306	0.0259	0.0512	0.5059
Norway	0.0092	0.0159	---	---	0.0140	0.0030	---	0.0978	---	0.0103	0.0378	0.2725
Austria	0.0079	---	---	0.0231	0.0121	0.0032	---	0.0109	0.0029	0.0072	0.0327	0.2201
Total	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00

Source : based on Table 3.3.4 and Table 3.3.5

3.2.4.4 OBSERVATIONS ON TABLE 3.3.4

(For imports from developed countries)

1. 21.31% of the total value of imports from developed countries is subjected to NTBs.
2. Japan is the most restrictive country (subjecting 62.5% of the value of its imports) followed by E.E.C. (30.9%) and U.S.A. (12.4%) respectively. The restriction in Japan is twice as high as it is in the E.E.C. and five time as high as it is in the U.S.A. Canada being least protected country (3.2%)

This conclusion is also confirmed (by Table 3.3.6 column 13) when we look to their respective proportion in the total value of imports and the proportion in the value of imports subjected to NTBs.

3.2.4.5 OBSERVATIONS ON TABLE 3.3.5

1. Quota and Licensing is the most restrictive NTB (accounting for 29% of the imports subjected to NTBs).

2. Health and Sanitary Standards is the second most restrictive NTB (23.71%).
3. Variable levies is the third most restrictive NTB (11.28%).
4. State Trading accounts for (5.61%) followed by minimum prices (5.56%) and Export restraints (3.18%) respectively.

3.2.4.6

OBSERVATIONS ON TABLE 3.3.6

1. The main user of Quota and Licensing is E.E.C. (41.31%), followed by Japan and U.S.A. respectively. It's use in comparison to U.S.A.'s use is about 4 times more in E.E.C. and 3 times more in Japan.
2. The main user of Minimum Prices is the U.S.A. (54.67%) followed by Japan and E.E.C. It's use in Comparison to E.E.C.'s use is about 4 times more in U.S.A.
3. The main user of Export Restraint is E.E.C. (60.29%), followed by the U.S.A. (39.71%), Japan does not use it.

4. Variable Levies is mainly used in E.E.C (86.47%), it is not used in Japan and U.S.A.

5. Health and Sanitary Standards are used by all countries. The main user is Japan (54.03%) followed by E.E.C. (27.44%) and U.S.A. (12.82%). It's use in Japan is two times as high as it is in the E.E.C. And 4 times as high as it is in the U.S.A.

6. State Trading is also used in all countries except the U.S.A. The main user is Japan (57.66%) followed by E.E.C. (26.33%). The use in Japan is almost twice as high as it is in the E.E.C.

Table 3.3.7 : The value of imports (from developing countries) subjected to respective NTB, in respective countries

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Importing Markets	Quots & Licen-sing.	Minimum Prices	Exports Restra-ints.	Variable Levies	Others	Health & Sani-tary stan-dard.	Cost r-asing Meas-ures	State Trad-ing.	Others	Total value of imports subjected to NTBs	Value of Total imports	Percentage of value of imports subjected to NTBs
E.E.C.	7188.67	309.19	231.89	1932.44	1082.16	1932.44	---	9739.49	4251.36	26667.64	77297.6	0.345
U.S.A.	1469.99	104.99	2992.48	---	---	1102.49	---	---	734.99	6404.94	52499.7	0.122
Japan	572.97	429.73	---	---	---	3652.74	859.46	143.24	71.62	5729.76	35811.2	0.160
Canada	322.68	---	---	---	---	10.75	---	10.75	64.53	408.71	5378.1	0.076
Sweden	184.09	---	---	83.22	10.08	42.87	---	5.04	---	325.30	2521.9	0.129
Switzer-land	54.14	72.19	---	62.47	5.55	5.55	1.38	1.38	19.43	222.09	1388.3	0.160
Norway	21.69	12.05	---	---	13.25	1.20	---	19.28	---	67.47	1205.0	0.056
Austria	51.80	---	13.74	16.91	1.05	6.34	---	8.45	1.05	99.34	1057.3	0.094
Total	9866.03	928.15	3238.11	2095.04	1112.09	6754.38	860.84	9927.63	5143.09	39925.25	177159.1	0.2254

Source : based on Table 3.3

Table 3.3.8 : Percentage of respective NTB, in the aggregate value of imports
(from developing countries) subjected to NTBs

(1)	(2) Quota & Licen- sing	(3) Minimum Prices	(4) Export Rest- raint.	(5) Variable Levies	(6) Others	(7) Health & Sanitary Standard	(8) Cost Increa- sing Measures	(9) State Trad- ing.	(10) Others
Aggregate of the value of imports (from deve- loping country) subject- ed to respective NTB	9,866.03	928.15	3,238.11	2,095.04	1,112.09	6,754.38	860.84	9,927.63	5,143.09
Aggregate value of imports (from develop- ing country) subjected to NTBs	39,925.25	39,925.25	39,925.25	39,925.25	39,925.25	39,925.25	39,925.25	39,925.25	39,925.25
Percentage of respective NTB in the aggregate value of imports (from developing country) subjected to NTBs	24.71	2.32	8.11	5.24	2.78	16.91	2.15	24.86	12.88

Source : based on Table 3.3.7

Table 3.3.9 : Share of aggregate value of imports (from developing countries)
Subjected to respective NTB, in respective country.

(1) Importing Markets	(2) Quota & Licen- sing	(3) Minimum Prices	(4) Exports Restra- ints.	(5) Variable Levies	(6) Others	(7) Health & Sani- tary Stan- dard.	(8) Cost Incre- asing Meas- ures.	(9) State Trad- ing	(10) Others	(11) Share of Total value of imports subjected to NTBs	(12) Share of value of Total Imports	(13) Percentage of the share of total value of imports subjected to NTBs.
E.E.C	0.7286	0.3331	0.0716	0.9224	0.9730	0.2861	---	0.9810	0.8266	0.6679	0.4363	1.53
U.S.A.	0.1490	0.1131	0.9241	---	---	0.1632	---	---	0.1429	0.1604	0.2963	0.541
Japan	0.0581	0.4630	---	---	---	0.5408	0.9983	0.0144	0.0139	0.1435	0.2021	0.710
Canada	0.0327	---	---	---	---	0.0016	---	0.0011	0.0125	0.0102	0.0303	0.337
Sweden	0.0187	---	---	0.0397	0.0091	0.0063	---	0.0005	---	0.0081	0.0142	0.570
Switzer- land	0.0055	0.0778	---	0.0298	0.0050	0.0008	0.0016	0.0001	0.0038	0.0056	0.0078	0.718
Norway	0.0022	0.0130	---	---	0.0119	0.0002	---	0.0019	---	0.0016	0.0068	0.235
Austria	0.0053	---	0.0042	0.0081	0.0009	0.0009	---	0.0008	0.0002	0.0024	0.0060	0.40
Total	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00	01.00

Source : based on Table 3.3.7 and Table 3.3.8

3.2.4.7 OBSERVATIONS ON TABLE 3.3.7

(For imports from developing countries)

1. 22.53% of the total value of imports from developing countries is subjected to NTBs.
2. E.E.C. is the most restricted country (subjecting 34.5% of the value of its imports, by NTBs), followed by Japan (16%) and the U.S.A. (12.2%) respectively. The restriction in E.E.C. is two times as high as it is in the Japan and about thrice as high as it is in the U.S.A. Norway being least protected country (5.61%).

This conclusion is also confirmed (by Table 3.3.9 . column 13) when we look to their respective proportion is the total value of imports and the proportion in the value of imports subjected to NTBs.

3.2.4.8 OBSERVATIONS ON TABLE 3.3.8

1. State Trading is the most restrictive NTB (accounting for 24.86%) of the imports subjected by NTBs).

2. Quota and Licensing is the second most restrictive NTB (24.71%).

3. Health and Sanitary Standards is the third most restrictive NTB (16.91%).

4. Export restraints, and variable levies account for (8.11%) and (5.24%) respectively.

3.2.4.9 OBSERVATIONS ON TABLE 3.3.9

1. State Trading is not used in U.S.A. while it is used very negligibly by other countries. It's main user is E.E.C. (98.10%). It's use in Japan is also very negligible (1.41%).

2. Similarly, the main user of Quota and Licensing is E.E.C. (72.26%) followed by U.S.A. (14.9%) and Japan (5.81%) respectively. It's use in E.E.C. is five times as high as it is in the U.S.A. and twelve times as high as it is in the Japan.

3. Minimum Prices is mainly used in Japan (46.3%) followed by E.E.C. (33.3%) and U.S.A. (11.3%) respectively. It's use in Japan is about four times as high as it is in the U.S.A.

4. Export Restraints is not used in Japan. It is mainly used in U.S.A. (92.41%). It's use in E.E.C. is (7.16%).
5. Variable levies are not used in Japan and U.S.A. It's mainly used in E.E.C. It is negligibly used in Sweden, Switzerland and Austria.
6. Health and Sanitary Standards are used by all countries, but the main users are E.E.C., U.S.A. and Japan. Japan Accounts for the highest proportionate use (54.08%), followed by E.E.C. (28.61%) and U.S.A. (16.32%), Japan's use is almost twice as high as it is in the E.E.C. and more than three times as high as it is in the U.S.A.

3.2.4.10 SUMMARY DATA DERIVED FROM ABOVE TABLES :-

1. Value of Total Imports (in U.S. \$ million) (from both developed & developing countries).	427556.1
2. Value of Total Imports subjected to NTBs (from both developed & developing countries).	93284.3
3. Proportion of imports subjected to NTBs.	21.81% =====
4. Value of Total Imports from developed countries.	250397
5. Value of imports, subjected to NTBs, ^{from} developed countries.	53359.06
6. Proportion of imports, subjected to NTBs, ^{from} developed countries.	21.30% =====
7. Value of Total imports from developing countries.	177159.1
8. Value of imports, subjected to NTBs, from developing countries.	39925.25
9. Proportion of imports, subjected to NTBs, from developing.	22.53%

10. Proportion of the value $\frac{250397}{427556.1}$ = 58.56%
of imports (to the total
value) coming from deve-
loped countries.
11. Proportion of the value $\frac{177159.1}{427556.1}$ = 41.43%
of imports (to the total
value) coming from deve-
loping countries.
12. Proportion of the value $\frac{53359.06}{93284.3}$ = 57.20%
of imports subjected to
NTBs from developed
countries to the total
value of imports subjec-
ted to NTBs.
13. Proportion of the value $\frac{39925.25}{93284.3}$ = 42.79%
of imports subjected to
NTBs from developing
countries to the ^{total} value
of imports subjected to
NTBs.

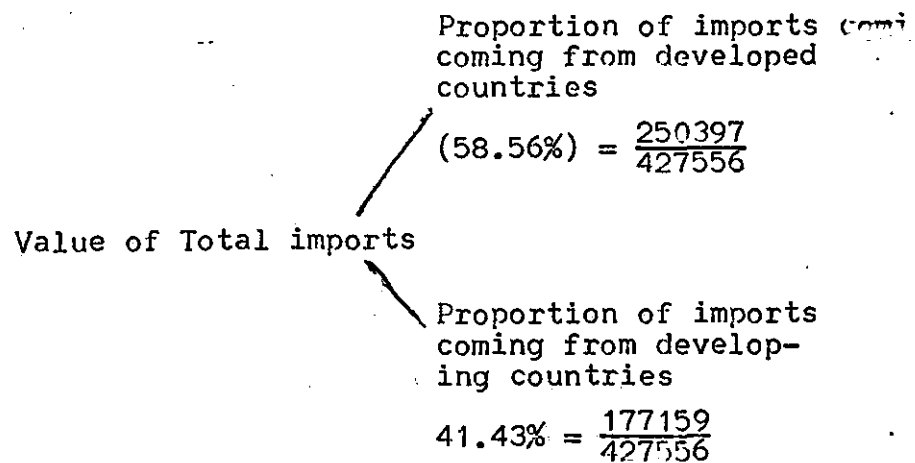
3.2.4.11 Comparison between the restrictions on the imports of developed countries and developing countries.

(1) Percentage of imports subjected to NTBs:

1. When we compare table 3.3.4, table 3.3.7 (or information in above data, item, 10 & 11) we may conclude, that in absolute terms, the NTBs fall more on the imports from developed country.

But, when we compare it "relatively" we see that the NTBs fall more on the imports from developing countries.

This can be proved as follows :



Value of total imports restricted by NTBs

Proportion of the value of imports of developed countries, subjected to NTBs 57.20% = $\frac{53359.06}{93284.3}$

Proportion of the value of imports of developing countries subjected to NTBs = 42.79% = $\frac{39925.25}{93284.3}$

Relative position

Developed Countries	Developing Countries
<u>57.20%</u>	<u>42.79%</u>
58.59%	41.43%
0.976	1.032
=	
$\frac{1.032}{0.976}$	
= 1.06	

Therefore, relatively the NTBs fall more (by 1.06%) on the imports from Developing Countries.

(2) Structure of NTBs

(i) Quota & Licensing : It is a main NTB in both the developed and developing countries. But relatively its use in developed countries is (17.32%) (29% in developed countries while 24.71% in developing countries) more than in the developing countries.

Secondly in developed countries Quota accounts for the highest percentage of imports restricted (subjected) followed by Health and sanitary standards. While in the developing countries (though negligible) the highest percentage of imports restricted (subjected) is by state trading followed by Quota.

Thirdly, while Quota is mainly used in E.E.C., U.S.A. and Japan, their use for the imports from developed countries, and imports from developing countries differ.

a) In E.E.C., the use of Quota for the imports from developing countries is (76.37%) more (72.86% and 41-31% respectively) than on the import from the developed countries.

b) In U.S.A. it is 31.27% more (14.90% and 11.35% respectively) than on the imports from the developed countries.

But in the case of Japan, it is the opposite, that is, the imports from ^{developed} developed countries are subject to 574% more (39.18% and 5.81% respectively) than on the imports from developing countries.

From this we can conclude that it is because of following reasons.

1. The difference in the type of goods imported by U.S.A. and E.E.C. and Japan. That is, while U.S.A. and E.E.C. are (relatively more) mainly confronted with Agricultural and Textile goods (which are produced comparatively cheaper in developing countries) from developing countries, while the main problem confronting Japan, would be competition in manufactured goods from developed countries.

This point has been substantiated by information given in table 5.1 yeats (1979, P 114) and R. Baldwin (1970, P 39). In E.E.C. Quota is imposed on Meat, Fish, Fresh Vegetables, Tropical fruits, Pickled vegetables, Jams, and Jellies. Similarly in U.S.A. Quota is imposed on Butter, cheese and Curd, Flons cereal groats and meat, wheat, Beet and cane sugar and other sugars, Raw cotten.

However the important difference between E.E.C. and U.S.A. restriction on Agricultural Commodities is, in U.S.A. only Quota is used to restrict agricultural goods, while in E.E.C. both Quota and Variable levies are used.

Japan uses Quota, for the cotten textile, imported from developing countries and on preserved vegetables.

(ii) Minimum Prices :- It's relatively used more for the imports from developed countries, for the imports from developed countries U.S.A. is the main user of this NTB, followed by Japan and E.E.C., U.S.A. uses it almost 3 times as high as it is used in the Japan and 4 times as high as it is used in the E.E.C.

While for the imports from developing countries, the main user is Japan followed by E.E.C. and U.S.A. Japan uses it almost 4 times as high as it is used in the U.S.A.

(iii) Export Restraints :- It is relatively, used more for the imports from developing countries Japan does not use this NTB. For the imports from developing countries, U.S.A. is the main user, while for the imports from developed countries, the main user in E.E.C.

U.S.A. uses it to restrict the imports of Combed wool, and cotton yarn, from Developing Countries.

(iv) Variable Levies : It is relatively, used more for the imports from developed countries. U.S.A. and Japan does not use this NTB. It is used to some extent by Sweden, Switzerland and Austria, however, the major user is E.E.C.

E.E.C. uses it as a restriction on the import of Agricultural goods, like wheat, Rye, Barley, Oats, Maize, Rice, Flour, Sugar, Meat, Butter, Cheese, Curds, from developing countries.

(v) Health and Sanitary Standards : It is a main NTB in both the developed and developing countries. But relatively it's use in developed countries is more than in the developing countries. Like Quota, it is used by all countries, but it's use is mainly found in E.E.C., U.S.A. and Japan..

Japan, is the main user of it, both in the developed and developing countries. Followed by E.E.C. and U.S.A.

The proportion of it's use, for the imports from developed and developing countries, by the above three countries is almost same.

The commodities from developing countries which are restrained by this instrument, are Agricultural commodities like meat and edible offals, bacon, ham and pigmeat, fish

fresh or frozen, Fish Processed, Fresh Vegetables,
Pickled vegetables.

(vi) State Trading : This is the most important NTB, for the imports from developing countries. It is not used in U.S.A. For the imports from developing countries, the major user is E.E.C. while for the imports from developed countries, the major user is Japan, followed by E.E.C. The use of it, by Japan, is twice the percentage use by E.E.C.

The imports from developing countries, which are restricted by this instrument are, Tobacco unmanufactured cigars and cigarettes.

3.2.5 A Critique of the Inventory Approach :

Even though, UNCTAD Inventory is the major source of data, to derive the conclusions relating to NTBs, it suffers from following drawbacks.

1. Definitional problem : Developing countries, due to lack of clarity in definition, may report certain measures as NTBs, in the inventory, even when they are not NTBs, according to the Spirit of the definition.

For example, if the same Health and sanitary regulation is applied to the domestic producers, and if the developing country's commodity is rejected, if it is not produced according to that regulation, then it is not NTB. But developing countries may report it as NTB, just because it is rejected, without looking into the reasons.

However, that does not mean such measures will not discriminate and increase cost. They can, but it is necessary to provide supporting evidence to this effect, before including them into the inventory as NTBs. However, this is not done.

(2) The inventory may not be Comprehensive because, the developing countries due to lack of adequate information of the internal domestic policies of

developed countries, may not be aware of NTBs like special tax concessions, subsidies to domestic producers, differential transport charges which may be exerting more restrictive effect on the imports, than the visible NTBs (reported in the Inventory) like Packing regulation, mark of origin.

(3) Technical aspect : Due to rapid and radical change in international trade, the data may be outdated, from the time of recording, varification, tabulation etc. before it is available to the analysts.

(4) Conclusion :

However inspits of the above defects, Inventory approach, is an important source for analysing NTBs. It's utility can be increasing by supplementary information, like International Price differentials.

C H A P T E R - 4

" SOME EMPIRICAL ESTIMATES SHOWING THE LOSS TO
L.D.Cs DUE TO NTBs" AND " THE GROWTH OF NTBs,
SINCE 1974 ".

4.1 Introduction :

In the last chapter we have seen that "relatively" the restrictions of NTBs falls more on the imports from developing countries.

In this chapter we shall mention some of the Empirical findings, which shows the loss occurring to developing countries due to NTBs (We are not going to discuss the methodology used by them in their estimate, since that is outside the scope of this dissertation)

We shall then see that after 1974, the use of NTBs has been increasing on Manufactured goods, and therefore, will affect the economy of the developed countries.

However, when, one looks to the types of Manufactured goods (as revealed by Frequency Index) on which the NTBs, have increased, we will notice that the developing countries have comparative advantage in their production, and hence the developing countries will be equally affected

(perhaps more because the NTBs on Agricultural goods continue to be high) due to increase in "Managed trade".

4.2 Empirical estimates showing loss to L.D.C

Following are some of the Empirical estimates, which show the loss to LDCs, due to NTBs

1. "The UNCTAD secretariat (March 1972) estimated that export gains for developing countries would be of the order of \$17 billion a year, if protection for agricultural products was removed in the Industrial markets.

This corresponds roughly to 20 percent of non-petroleum exports. Additional export earnings of this magnitude would produce a considerable stimulus to development programmes and to the improvement of general living standards".

2. According to Roningen and yeat's estimate, if the restraints on textile are removed, it would increase ^xte_Atile imports by the United States and France by about 35 to 45 percent.

3. According to UNCTAD's analysis, the imports of leather footwear would have been close to 60 percent higher in Japan in the absence of these measures. This implied trade loss for developing countries of about \$ 6 million.

4. According to UNCTAD-FAO econometric Models estimate, removal of Agricultural protection would increase total (world) GDP by about \$84 billion which is about a 2 percent increase over recent levels. Nearly half of this gain (\$37.6 billion) is expected to accrue to the developing countries, with this increase representing about a 5 percent expansion of domestic product.

5. According to the Study of Walter and Chung (1972). In the absence of NTBs on the groups studied, a 1968 LDC trade base of \$486 million would have been 50 to 70 percent higher. Although qualifying their results, Allen and Walter suggest that this range may be interpreted as an indication of the order of magnitude involved in estimates of the restrictiveness of NTBs, particularly in sectors such as Agriculture, on the export performance of developing countries.

6. Finally, an investigation by the UNCTAD Secretariat which employed the import elasticity of demand approach estimated that the differentials between external and internal prices resulting from Quotas are likely to have reduced imports into Germany by 18 percent into Sweden by about 20 percent and into the United Kingdom by 22 percent below the

level which would have prevailed in the absence of Quotas or licensing.

7. Studies by the UNCTAD Secretariat using import demand elasticities suggest that the developing countries experience a trade loss in the range of \$15 to 20 billion, due to NTBs applied to textiles, clothing and shoes.

CONCLUSION +

The above observations indicate that the potential exists for a substantial expansion of developing country exports and thereby to reduce the dependence for financial aid from developed countries if trade barriers were liberalised.

TABLE 4.1
MANAGED TRADE BY COUNTRY
(percentage of 1974 trade)

	All goods		Manufactures	
	1974	1979	1974	1979
Belgium/Luxemburg	27.5	32.9	0.7	8.3
Denmark	29.5	40.5	0	17.5
France	32.8	41.7	0	14.7
Germany	37.3	46.0	0	15.9
Ireland	36.8	32.2	1.5	8.9
Italy	44.1	51.9	0	15.2
Netherlands	32.5	39.0	0	12.8
United Kingdom	38.5	45.2	0.2	12.8
EEC (8)	35.8	43.4	0.1	13.7
Australia	17.9	34.5	7.8	29.6
Austria	20.8	30.3	0	13.1
Canada	22.4	18.3	11.4	5.8
Finland	32.9	33.6	3.1	3.5
Greece	100	100	100	100
Iceland	20.6	31.2	1.3	15.77
Japan	51.4	54.7	0	4.1
Norway	16.3	33.7	0	24.6
Portugal	25.5	27.5	10.5	11.7
Spain	32.2	36.8	0	4.1
Sweden	24.7	30.1	3.1	10.5
Switzerland	16.9	18.3	2.1	3.4
Turkey	100	100	100	100
United States	36.2	44.3	5.5	18.3
European Countries(16)	34.2	41.4	1.8	13.8
OECD (22)	35.8	42.3	4.0	14.6
Other developed (3)	37.5	97.9	97.7	97.8
Oil exporters (15)	54.0	63.4	45.8	57.1
Non-oil developing (81)	49.8	48.9	24.9	23.1
World (122)	40.3	45.7	12.9	21.3

Managed trade is defined to include any trade flow that is subject to some non-tariff control by ex-porter, importer, or both (There is no allowance for tightness of control) The numbers represent the proportions of commodities "managed" in trade in 1974 and 1979 using the 1974 composition of trade.

TABLE - 4.2

COMMODITIES FOUND TO BE CONTROLLED BY IMPORTERS

(Shares more than 30% in 1979)

	Share of commodity in 1974 world trade (in %)	Share of trade in commodity controlled in (in %)		Commodities controlled (A = in 1974 B = in 1979) by		
		1974	1979	EEC	USA	JAPAN
Live animals	0.3	64	64	AB		
Fish	0.8	30	31	AB		
Cereals		76	76	AB		
Fruit and Vegetables	1.7	70	78	AB	A	AB
Confectionery	0.1	43	43	AB		
Cocoa	0.3	56	56	AB		
Chocolate	0.1	62	62	AB		
Tea	0.1	66	64	AB		
Animal feeding stuffs	0.6	69	69	AB		
Miscellaneous food	0.2	49	48	AB		
Non-alcoholic beverages	0.0	57	58	AB		
Silk fibres	0.0	6	71		B	
Textiles	3.4	21	35	AB	AB	
Lime, Cement etc.	0.2	32	35			
Iron and Steel	3.8	16	66	B	B	
Aircraft	0.8	12	83	B	B	B
Ships	0.7	18	82	B		B
Clothing	1.9	20	48	B	AB	
Footwear	0.5	1	32	B	B	
Travel		24	21	AB		AB

* from Page S.A.B. . op. cit. Table 1

TABLE - 4.3

FREQUENCY OF INCIDENCE OF SELECTED IMPORT CONTROLS ON MANUFACTURED GOODS IN EEC, UNITED STATES, AND JAPAN

(per cent) 1976

	Total			Discriminatory			Non-Discriminatory		
	EEC	USA	Japan	EEC	USA	Japan	EEC	USA	Japan
Chemicals	16.5	38.3	10.6	15.7	--	--	0.8	38.3	10.6
Plastic and rubber goods	8.1	17.4	8.7	7.5	--	--	0.6	17.4	8.7
Leather and leather goods	4.3	10.0	15.0	4.3	10.0	--	--	--	15.0
Wood and wood products	18.8	--	--	18.4	--	--	0.4	--	--
Paper	28.2	14.7	--	27.7	--	--	0.5	14.7	--
Textiles and textile articles	76.1	66.4	1.8	75.4	63.8	1.8	0.7	2.6	--
Footwear and accessories	39.5	57.1	4.8	15.7	47.6	--	23.8	9.5	4.8
Ceramic and glass products	13.7	3.9	--	12.3	3.9	--	1.4	--	--
Pearls, precious metals and jewelry	1.7	--	--	0.8	--	--	0.8	--	--
Base metal products	14.7	5.9	0.7	7.9	--	--	6.8	5.9	0.7
Machinery and electrical equipment	12.9	--	3.2	12.1	--	--	0.8	--	3.2
Transport equipment	10.1	8.8	20.6	8.8	--	--	1.3	8.8	20.6
Precision instruments	2.4	--	--	1.9	--	--	0.5	--	--
Arms and ammunition	4.1	14.3	100.0	4.1	--	--	--	14.3	100.0
Miscellaneous manufactured articles	4.1	4.8	--	3.7	2.4	2.4	0.3	4.8	--
Total of above	22.0	21.3	5.2	19.7	10.1	0.2	2.2	11.2	5.0

* from Olechowski A and G Sampson "Current Trade Restrictions in the EEC the United States and Japan. Journal of World Trade Law , May/June 1980.

4.3 Growth of NTBs, since 1974

[conclusion 4.2]

However, this optimism, is turned into pessimism, when one sees the rapid increase in the use of NTBs, after 1974, as shown by following Table 4.1

4.3.1 Observations on Table : 4.1

1. The above table indicates that the NTBs have been growing as a result the world trade instead of being liberalised trade is turned to be a "Managed Trade".
2. World wide the proportion of Managed trade for all goods has increased by 13% (from 40.3% to 45.7%)
3. U.S.A. and E.E.C. though below world average has recorded an substantial increase by 22.37% (from 36.2 to 44.3) 21.22% (from 35.8 to 43.4) respectively.
4. Japan, which is the most restricted Country, has kept it's proportion of Managed trade above the world average, but showed only 6.4% increased (from 54 to 63.4)
5. The oil exporters showed an increase in Managed trade by 17.4% while the non-oil developing countries showed an decrease of Managed trade by 1.80%

6. The trend towards managed trade in manufactures for Industrial countries is considerably more pronounced is reflected by following statistics.

- a) The worldwide proportion of managed manufacturing trade nearly doubled from 12.9% to 21.3%
- b) A large part of this increase was largely due to OECD countries (from 4% to 14.6%)
- c) The most dramatic increase was noticed in E.E.C. countries which increased from 0.1% to 13.7%
- d) In absolute terms the increase in U.S.A. was higher than in E.E.C. from 5.6% to 18.3%
- e) The increase in Japan was from Zero to 4.1%

The Frequency Index (as shown in Table 4.2 and Table 4.3) show, that in the Manufactured goods, the commodities which are subject to high NTBs, are, Textile, footwear products leather goods.

The developing countries have a comparative advantage in the production of these goods, and therefore, the impact of increased 'Managed Trade' would be more severely felt by developing countries (apart from developed countries)

Conclusion :

Therefore, the efforts made, through Tokyo Round of Multilateral negotiated, to reduce NTBs, may not be successful, if the same trend continues. And, therefore, it is necessary that the developed countries abide by the varies codes stated in the Agreement of Tokyo Round, and the G.A.T.T., also takes action on the country violating the codes.

" CONCLUSION "

Trade has been described as an engine of growth. In the nineteenth century this appears to have been true, but changed circumstances and the expansion of protectionism in this century have greatly diminished the transmission effect of trade.

Till recently, the barriers were mostly in the form of tariffs, the schedules of which were published, and therefore the extent of protection, could be quantified and negotiated. However, with the reduction of tariff barriers, particularly after the Kennedy round, the use of Non-tariff barriers have increased.

The reduction of the NTBs is important, to the world trade in general, and to the trade of developing countries in particular, because, the developing countries want to accelerate the pace of their development, and catch up with the economic development of developed countries. However, the trade barriers are acting as a stumbling block on this path.

As a measure, to take the developing countries, out of this trap, the G.A.T.T., had undertaken

various multilateral negotiations - like Dillion Round, Kennedy Round, and the latest Tokyo Round, in order to reduce the tariff barriers on the imports from developing countries.

Such a measure, could have turned a boon to the developing countries trade, but for the relative increase in NTBs. And, therefore a fear was expressed that due to "New protectionism", the world trade instead of being a liberalised trade, would be a "Managed trade".

We began the analysis of this study of NTBs, with the causes for the increase in NTBs, and stated, two types of causes.

- a) The inherent defects in the G.A.T.T., particularly the "Grandfather Clause" and lack of effective enforcement procedure.
- b) Secondly, the reduction in tariffs under various multilateral negotiations.

The extent of NTBs, 800 in member showed that the NTBs were widespread.

As a first step to know what are NTBs, we stated the definitions given by Baldwin, Brian, Lloyd, Walter. However, due to the tremendous variety and complexity of NTBs no defination,

was workable (of practical use) except to some extent, the definition given by Ingo Walter.

Ingo Walter, has rightly emphasised that "It would be nonsensical to classify all actions as NTBs. According to him only those measures whose purpose or "Intent" was to distort trade, could be considered as NTBs.

However, in the next section, we have seen, how and why, it is difficult to know, whether the measures taken by the country, were intentional or not. For example, they deceive the appearance, they are interchangeable, there is uncertainty about them etc.

Nonetheless, on the lines suggested by Ingo Walter, the UNCTAD has classified the NTBs, into three types : Type I or Pure NTBs - Commercial policy measures designed primarily to protect domestic producers from foreign competition, Type II or Quasi NTBs - Measures designed to deal with problems not directly related to commercial policy, but are used occasionally to restrict trade. Type III or Accidental NTBs - Measures which have spillover effects in the foreign trade sector.

Each category is further subdivided into group A and group B. The measures under group A operates primarily through quantitative restraints on trade, and measures under group B on production costs and prices.

Though the NTBs are widespread, we have, tried to explain some of the important NTBs like, Quota, Voluntary Export Restraints, State Trading, Health and Sanitary Standards, which account for about 75% of the total value of imports restricted by NTBs.

Since the purpose of this dissertation was to know, what are NTBs, and whether they fall more on the imports from developing countries (than on the imports from developed countries) and thus act as a stumbling block on the path of economic development of the developing countries, I have not dealt with the different methods used in measuring the NTBs (and their demerits and merits).

However, by using the UNCTD's Inventory approach, through it's coverage Index we have shown how NTBs fall "relatively" more on the imports from developing countries, which country

uses which NTB, similarly with the help of Frequency Index, we have been able to show, the commodities subject to NTBs in different Countries, and how the NTBs on Manufactured goods have been increasing since 1974.

Finally with the help of some of the empirical estimates, we have shown, the loss to the developing countries, due to the restriction of their trade.

And, therefore, we can conclude, that, it is necessary to liberalise trade, which would not only lead to world prosperity, but also help the developing countries to come out of the "trap" or "Vicious circle".

In regard, to the importance of trade liberalisation to the developing countries the observation of Alexander J. Yeats (1979, P 10) is worth noting. According to him "The most important contribution that the developed countries could make towards the less developed countries is precisely to provide access to markets for manufactured goods which in turn would lead to increased demand for developing countries exports, thus increasing the LDC's real income and

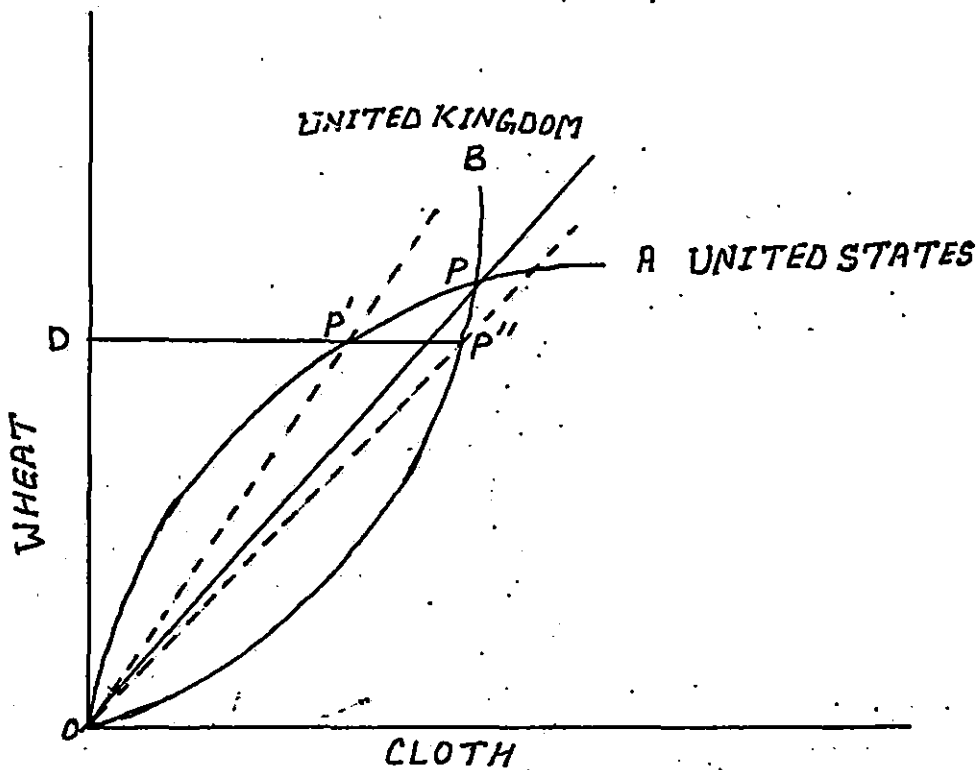
capacity to purchase equipments required for industrialisations".

If this does not occurs, Cassing (Portfolio P 18) warns, "In the 1930's the cost of the retreat from liberal trade was notoriously high. Today with a much more sophisticated level of specilization among major trading nations, the cost would be substantially higher."

APPENDIX

- 103 -

Figure 7.7 : EFFECTS OF QUOTA ON THE TERMS OF TRADE



SOURCE: C.P. KINDLEBERGER,
INTERNATIONAL ECONOMICS [P, 124]

- OA : Offer Curve of United States.
- OB : Offer Curve of United Kingdom.
- OP : Free trade, terms of trade
- OP' and OP'' - Trade distorted terms of trade, (due to Quota imposed by United Kingdom, on wheat).
- If OP' - will be the terms of trade, it will be unfavourable to United Kingdom (decreased)
- If OP'' - will be the terms of trade, it will be favourable to United Kingdom (improved)

APPENDIX

- 104 -

FIGURE. E.1. POTENTIAL MONOPOLY IN PARTIAL EQUILIBRIUM WITH TARIFF.

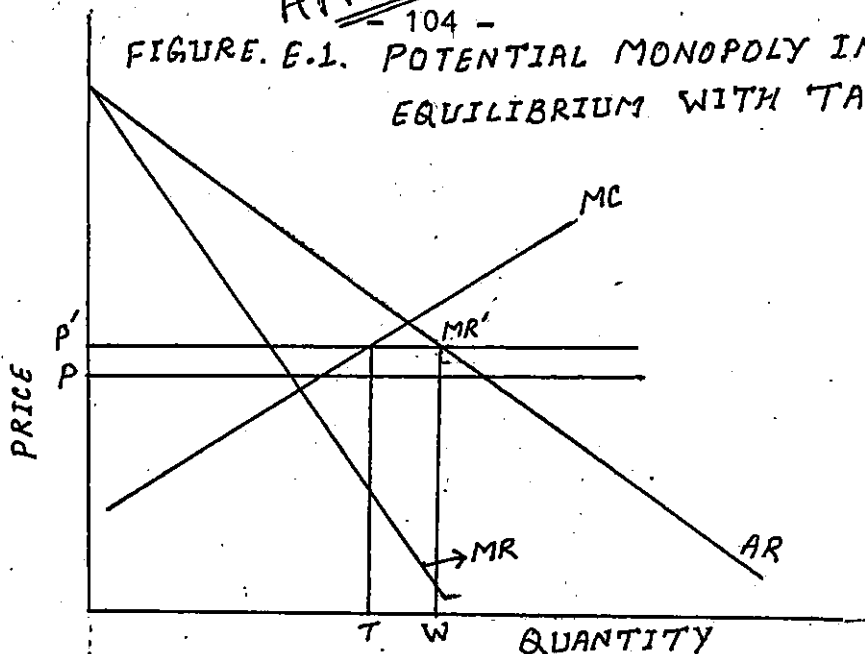
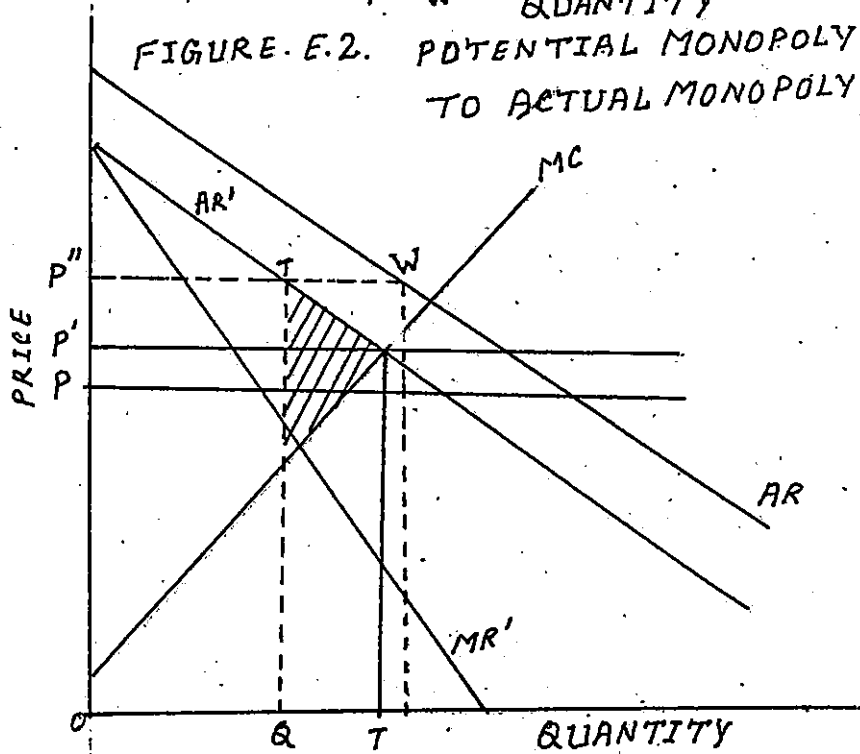


FIGURE. E.2. POTENTIAL MONOPOLY CONVERTED TO ACTUAL MONOPOLY UNDER QUOTA.




Source: C. P. KINDLEBERGER, INTERNATIONAL ECONOMICS, [APPENDIX E, P485]

AR is the Average revenue curve, before Quota is imposed.

AR' is the distorted Average revenue curve, due to Quota, equal to TW.

MR' is the distorted Marginal revenue curve.

The domestic monopolist raises the price, from, OP' to OP'' .

Welfare is reduced by the Shaded area. 

Bibliography :

1. Allen R. L. and Ingo Walter (1970)
"An analysis of the impact of Non-tariff measures imposed by Developed Market Economy Countries on Representative Products of Exports Interest to Developing Countries" in "UINCTAD Secretarial Working Paper".
Geneva : United Nations Mimeo.
2. Baldwin Robert E. (1970)
"Non-Tariff Distortions of International Trade".
Washington D.C.: The Brookings Institution London : George Allen & Unwin Ltd.
3. Bergesten C. F. (1975)
"On the Non-equivalence of Import quotas and voluntary Export Restraints" in "Towards a New International Economic Order" PP 157 - 189.
Lexington : Mass D. C. Heath.
4. Bhagwati J. (1965)
"On the Equivalence of Tariffs & Quotas"
in R. E. Baldwin edited.
"Trade Growth & the balance of Payments, : Essays in Honour of G. Herberter".
Chicago - Rand McNally.

5. Cassing J. H.
"Protectionism and Non-tariff barriers in "Portfolio" Volume 9,
Number 4. International Economic Perspectives.
6. Cline W. R. edited (1978)
"Trade Negotiations in the Tokyo Round : A Quantitative
Assessment". Washington D. C. : Brookings Institution.
7. Curzon Gerard and Victoria (1968)
"After the Kennedy Round, what policies now" ?
Atlantic study group, London.
8. Curzon Gerard and Victoria (1970)
"Hidden Barriers to International Trade"
Thames Essay No. 1,
Trade Policy Research Centre,
6, Buckingham Street, London W.C.z.
9. Curzon Gerard and Victoria (1972)
"Global Assault on Non-Tariff Trade Barriers"
Thames Essay No. 3,
Trade Policy Research Centre,
6, Buckingham Street, London, W.C.z.
10. Curzon Gerard (1981)
"Neo-Protectionism the M.F.A. and the European Community"
in "The World Economy" Volume 4, No. 3,
September, PP 251 - 62.

11. Dickinson D. G. (1980)
"Tariffs Versus Quotas^{as}/revenue raising device under uncertainty".
Discussion paper of the University of Birmingham
Series A 249.
12. Ernest Preeg (1970)
"Traders and Diplomats"
Washington : The Brookings Institution.
13. Evans J. W. (1971)
"The Kennedy Round in American Trade Policy : The Twilight
of G.A.T.T." ? Cambridge Mass Harvard University Press.
14. Finger J. M. (1976)
"Effects of Kennedy Round Tariff Concessions" in
"Economic Journal", Volume 86, PP 87 - 95.
15. Francis Masson & H. Edward English (1963)
"Invisible Trade Barriers between Canada and the United
States"
Washington : Canadian American Committee.
16. G.A.T.T. (1966)
"Products Notified as being of Export Interest to L.D.C.s"
Geneva. G.A.T.T., June.
17. Golt S. (1978)
"The G.A.T.T. Negotiations 1973-1979, the closing stage".
Washington D.C. : National Planning Association.

18. Hamilton Carl (1980)
"A New approach to estimation of the effects of Non-tariff Barriers to trade, on Prices, employment, and Imports". Seminar Paper No. 168. Institute for International Economic Studies, University of Stockholm.
19. Holzman E. D. (1969)
"Comparisons of Different forms of Trade Barriers" in "Review of Economics & Statistics" 51, May, PP 159 - 65.
20. Ingo Walter (1969)
"Non-Tariff Barriers and the Free trade options" in Banca Nazionale del Lavoro, "Quarterly Review", Volume 22, March, PP 16 - 45.
21. Ingo Walter (1971)
"Non-tariff Barriers and the Export performance of Developing Countries". in "American Economic Association papers and proceedings", 61, PP 195 - 205
22. Johnson D. G. (1967)
"Sugar Program : Costs and Benefits" in D. G. Johnson, edited, "Foreign Trade and Agricultural Policy".
Washington : Government Printing Office.
23. Johnson H. G & S. D. Metzger (1973)
edited. "International Negotiations on Non-tariff Barriers".
Allen and Unwin, London.

24. Kiyoshi Kojima (1972)
"Nantariff Barriers to Japan's trade" in "Hôtit-subashi Journal of Economics", 13 June, PP 2 - 7.
25. Kruijk Hansde (1976)
"On the Equivalence of Tariffs and Non-tariff Barriers"
Discussion Paper No. 32, Centre for Development Planning
Erasmus University, Rotterdam.
26. Malmgren, H. B. (1971)
"Negotiating Non-tariff Barriers : the Harmomisation of National Economic Policies". in
U. S. Foreign Economic Policy for the 1970's : a New approach to New Realities.
Washington : National Planning Association.
27. Percy Bidwell (1939)
"The Invisible Tariff : Astudy of the Council of Imports into the United States".
New York : Council on Foreign Relations.
28. Ray E. J. (1981)
"The Determinants of tariff and Non-tariff trade Restriction s in the United States". in "Journal of Political economy
February, PP 105 - 21.
29. Shiela A. B. Page (1980)
"The increased use of trade controls by the Industrial Countries"
in "Intereconomics" May/June, PP 144- 51.

30. UNCTAD (1969)
"Liberalisation of Tariffs and Non-tariff Barriers".
Geneva : United Nations, December.
31. UNCTAD (1973)
"Liberalisation of Non-tariff Barriers"
Geneva : United Nations, June.
32. UNCTAD (1981)
"Non-tariff Measures facing Developing Countries Exports of
Primary and processed Commodities"
Report of UNCTAD Secretariat.
33. William B. Kelly Jr (1967)
"Non-Tariff Barriers" in Bela Balassa edited "studies in trade
Liberalisation".
The John Hopkins Press, Baltimore, Maryland, PP 265 - 314.
34. Yeats A. J. & V. Roningen (1977)
"Non-tariff Distortions and International Trade : Some
preliminary Empirical evidence". in
Weltwirtschaftliches, January.
35. Yeats A. J. (1979)
"Trade Barriers Facing Developing Countries".
The Macmillan Press, Ltd., London.