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NON-TARIFF BARRIERS TO TRADE

In recent years, tariff reductions have taken place in industrial countries under the implementation of Kennedy-Rounds and the General Scheme of Preferences. This has provided ample opportunities to developing countries with industrial base for exporting their manufactures. In fact, countries like India have to gain substantially by these concessions which have opened markets of developed countries notably the six member-countries of the European Common Market, which has implemented its offer of preferences to less developing countries. It is high time that our exporters took advantage of this offer and built up a permanent market for their products in Western Europe. Tariff barriers have also been gradually reduced through the G.A.T.T. whose main objectives are trade liberalisation and non-discrimination.

After the Second World War, many new developments have taken place which have caused distortions of international trade. These developments have been the result of Government actions to promote economic and social policies of their own. The reduction of duties under the G.A.T.T. has also in many cases given impetus to the erection of other barriers which hamper flow of goods from one place to another. Trade distorting measures have also been introduced recently by some countries as a means of easing balance of payments pressure. All such measures are broadly known as non-tariff barriers to trade which in some cases may be said to be substitutes for tariff protection. For Indian businessman, non-tariff barriers are equally important as they hamper the flow of exports to markets of developed countries. In many cases, adequate information about non-tariff barriers is not available and quite often such obstacles are not very much apparent to us.

The General Agreement on Tariffs and Trade has recently undertaken a preliminary study of non-tariff barriers for the purpose of drawing attention of the Contracting Parties (i.e. the member countries) and initiating suitable action for free flow of goods from country to country. It has chalked out a coordinated programme which aims at, first, to collect the factors; second, to analyse them; and finally, to seek solutions to the problems which have been identified, so as to lay the ground work for eventual action. The member countries have supplied basic information about their existing non-tariff barriers and the barriers which their exports faced in other countries. The information received has been studied by the Committee on Trade in

Industrial Products, so as to establish the exact nature of the non-tariff barrier and the reasons for its existence. The Secretariat of the G.A.T.T. has prepared an inventory which lists about 800 non-tariff barriers to trade maintained by member-countries of G.A.T.T. The result of the survey is something unique; for the first time, it has become possible to form a realistic idea of the extent of the problem of non-tariff barrier to trade. This inventory provides an essential starting point for eventual action to deal with such barriers which have been sorted into the following five categories:—

(*i*) *Government participation in trade.* This category includes the production and export subsidies, Government procurement practice, State trading, and trade diverting investments.

(*ii*) *Customs and administrative procedures.* These are the so-called "para-tariff" barriers; they include valuation procedures, question of customs classifications, anti-dumping practices, fees, and documentation requirements.

(*iii*) *Standards involving imports and domestic goods.* This covers health and safety regulations imposing technical or testing requirements, and rules on packaging, labeling or marking.

(*iv*) *Specific limitations* on imports and exports such as quantitative import restrictions, bilateral agreements, export restraints and licensing arrangements.

(*v*) *Restraints on imports* and exports through the price mechanism such as prior deposits, variable levies and fiscal adjustments.

The G.A.T.T. Committee on Trading in Industrial Products has also established an "illustrative list" of about 100 of the most important trade barriers notified and set up five working groups corresponding to each of the categories listed above, to give immediate attention to the notifications in this list. Each has been given the task of formulating conclusions on the possibilities for concrete action to remove or reduce barriers with which it is concerned, and where appropriate, to draw up guidelines to regulate future actions.

It should be noted that tariffs are known, and take more or less the same form everywhere; it is necessary only to decide by what proportion they quite shall be reduced on multi-lateral or bilateral basis. Non-tariff barriers are different in nature, and also vary greatly one from the other in their nature and justification. Each group or category of non-tariff obstacle needs special treatment. This might cover a complete removal of some types of obstacles, harmonisation of national laws, new agreed interpretation of existing international rules, drawing up of codes of good conduct, system of surveillance, arrangements for consultation, and so on. It is a very complex field where imaginative solutions are called for and where not only the national

Governments are involved but State Governments, Municipalities, and many such organisations enjoying internal autonomy are also concerned and as such this problem is not so easy to solve. By way of illustration, we may take the case of the six European Common Market countries which have abolished all tariffs and quota restrictions among themselves but are still facing many hardships in free flow of goods within the market of six countries mainly on account of non-tariff barriers. This has delayed the establishment of the complete Common Market.

QUANTITATIVE RESTRICTIONS

Quantitative restrictions constitute direct, absolute limitation on the quantity or value of imports and as such, are most easily discernible among non-tariff barriers to trade. Such restrictions separate domestic and international markets, greatly limit the possibilities of choice, and often result in windfall gains to those able to obtain import licences. Quantitative restrictions are also exercised in the garb of "voluntary export control" like the Long Term Textiles Agreement.

CUSTOMS CLASSIFICATION AND VALUATION

In some cases, non-tariff barriers result from the way in which goods imported are classified and valued. Such obstacles may be defined as "para-tariff" obstacles owing to their close connection with custom rates. For *ad valorem* tariffs, which in practice are of primary importance in custom valuation, the duty collected on any commodity is dependent upon (*i*) the tariff rate expressed as a percentage of the value of the imported goods, (*ii*) the classification of the good in the Tariff Schedule, and (*iii*) the valuation of the goods for custom purposes. "Para-Tariff" obstacles can result from an obscure, unsystematic and complicated tariff schedule with great differences in rates and flexible rules for classification and from overstated and arbitrary determination of the value for custom purposes. Administrative delays in handling custom clearances are especially important in hindering flow of goods from one country to another.

PUBLIC PROCUREMENT POLICIES

In many countries, there is the practice of preference being given to domestic procedures by public authorities which include Federal, State and Local Governments as well as public corporations and regulated industries. This amounts to some sort of protection that results from accepting domestic tenders for supply of goods. This sort of discrimination is practised both in the visible and non-visible way. "Buy American Act" and such other highly visible legislations definitely cause distortion to international trade; buying procedures and methods of evaluating offers together with administrative instructions for preferences to domestic procedures are not so visible.

ANTI-DUMPING REGULATIONS

The G.A.T.T. permits a country to take measures for minimising the effects of dumping on domestic producers. An important achievement of the Kennedy-Rounds in the non-tariff barrier field was the successful negotiation of the Anti-Dumping Implementation Code which came into force on 1st July 1968. Specific elements of the Code include (*i*) a tightening of the procedures for making and finding why dumping has caused 'material injury' to an industry; (*ii*) a reduction in the period during which the appraisal of imports for custom purposes can be withheld; (iii) an explicit assurance to exporters that they have a right to examine all non-confidential information bearing on dumping charge brought against them; and (iv) various procedures for speeding up the processing of anti-dumping cases. Many a time, it has been found that the developed countries become oversmart in taking anti-dumping measures which cause great harm to the exporters of developing countries.

BORDER TAX ADJUSTMENTS

The rules of the G.A.T.T. with regard to border tax adjustments rest on the assumption that indirect taxes are fully shifted forward to final users in the form of higher costs/prices and should be equal on competing goods in the country of destination regardless of the different rates of tax that may have been applied in the country of origin of the goods. To achieve such equality, countries are permitted to give tax rebates of indirect taxes on the exported goods and/or to levy charges of an equal amount on imported goods. Frequent changes in a country's tax system may result in discrimination against foreign suppliers and cause distortions to trade. Sometimes, border tax adjustments are also used as weapons to combat balance of payment deficits and surpluses.

SUBSIDIES AND CONCESSIONAL TAX RATES

Many developing countries encourage their exporters by providing them subsidised credit from public agencies and institutions. This strengthens their competitive position in international markets and results in an unfair advantage to outsider. It is merely a form of competitive subsidisation of exports. In some countries, foreign suppliers are charged higher rates of interest for credit and higher insurance and other charges for risk covering. Domestic subsidies and concessional tax rates also weaken the position of foreign suppliers vis-a-vis national producers and as such can also be categorised into non-tariff distortions.

As Indian exporters are mainly concerned at the moment with the optimum exploitation of the opportunities offered by the Generalised Scheme of Preferences of the European Common Market, it is important that we should know the details of various non-tariff barriers to trade maintained by these countries. Such barriers are mainly in the form of quota restrictions, internal taxation and monopoly practices. In the Appendix to this Article, a table listing some of the non-tariff barriers of concern to our exporters is given. The Indian exporters are very well advised to remain in constant touch with the Indian Trade Consulates and Embassies in these countries and should also try to ascertain whatever information is available with the diplomatic and trade representatives of these countries in India. It is also recommended that the Government of India may effectively take up this question of non-tariff barriers with the Commission of E.E.C. at Brussels and individual member-countries of the Common Market, and effectively participate in the working of the G.A.T.T. Committee on Trade and Industrial Products and its five Working Groups which are at present finding solutions to problems posed by non-tariff barriers. The various Export Promotion Councils, trade associations, Chambers of Commerce and others concerned with export of our goods should also bring their difficulties with regard to non-tariff barriers in different countries to the notice of the Government of India and also take up these matters with their counterparts in foreign countries.

APPENDIX

CHART SHOWING THE NON-TARIFF BARRIERS MAINTAINED BY THE E.C.M. COUNTRIES ON ITEMS OF INTEREST TO INDIA

S.No.	Products	Benelux	France	W. Germany	Italy
1.	Coffee	—	T	T	T
	(a) Raw	—	L	—	—
	(b) Roasted	—	R	—	—
2.	Tea	—	T	T	—
3.	Vegetable Oils	—	R & r	Q	—
4.	Tobacco & Tobacco Manufactures	—	M	—	M
5.	Cotton textiles	—	r	r	
6.	Jute manufactures				
	(a) Bags and sacks	—	R	—	—
	(b) Woven fabrics	—	R	GQ	—
7.	Sewing machines	—	R	—	—
8.	Carpets, Carpeting of coir	—	R	LL	—
9.	Pepper	—	L	—	—
10.	Ginger	—	r	—	
11.	Sugar, raw and refined	GQ	r	GQ	DL
12.	Jams, Marmalades, Fruits pureses, Jellies etc.	—	L	GQ	—
13.	Gum arabic	—	R	—	—
14.	Woven fabrics of silk or of waste silk	—	L	—	—

'L'	denotes licensing requirement.
'LL'	denotes liberal licensing.
'R' & 'r'	denote import restrictions.
'T'	denotes high internal taxation.
'M'	denotes state monopolies.
'DL'	denotes discretionary licensing.
'Q'	denotes quota.
'GQ'	denotes global quota.

Note : Where small letters are used, the measure applies only to a part of the item against which it appears.