

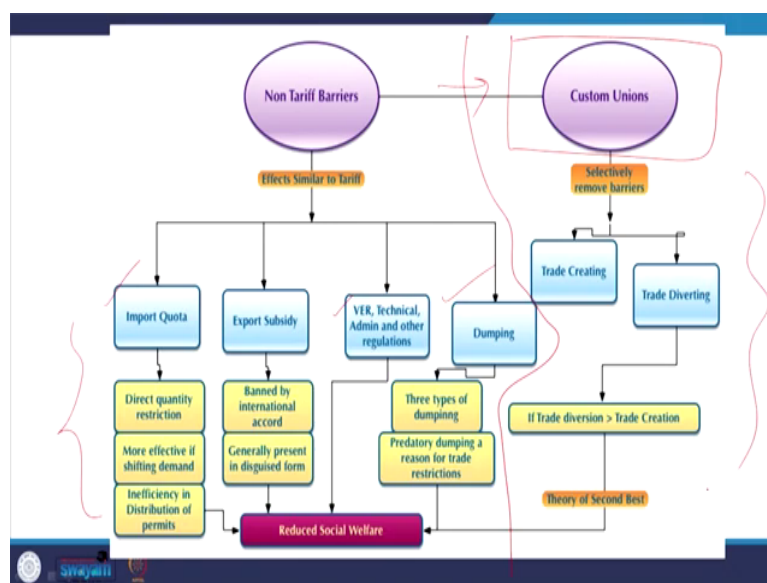
Strategic Trade and protectionism - Theories and Empirics
Prof. Pratap Chandra Mohanty
Department of Humanities and Social Sciences
Indian Institute of Technology, Roorkee

Lecture – 32
Types of Non – Tariff Barriers

Welcome friends, once again to the NPTEL module on Strategic Trade and Protectionism Theories and Empirics. We are now on the 7th week of the module and where we have been discussing the 32nd lecture on the Types of Non-Tariff Barriers; since this is the most prevalent restrictions at the barriers among the member countries. This is specific attention is very essential to be discussed in the classroom.

So, since the you know whole module is framed on protectionism so, we are emphasizing largely on each type of barriers as part of the non-tariff restrictions. So, let us unfold the discussion, here we go as with a structure. The structure is morally confined to non-tariff barriers also we have added here customs you know unions.

(Refer Slide Time: 01:43)



Though we are going to take off this part in the next week customs union, role of WTO, you know regionalism, multilateralism, groupism. So, those aspects will be emphasized in the next week. Now, we are only sticking to these aspects only sticking to this side of the discussion though these are connected.

Now, let us understand what are the types broadly in the last week we discussed you know types of tariff barriers and its effect on countries development or countries growth there in terms of you know welfare gain or less losses those aspects we have discussed.

Now, this week in the first two lectures we have or in the first very first lecture 31st lecture we discussed how I mean what are the latest facts and figures of tariff especially non-tariff barriers facts and figures those are collected either from UNCTAD report very latest report we discussed in the last lecture by product, by countries, by exact sector, and by HS

classification even now we also discussed you know many other databases which talk about non-tariff barriers.

Here we are emphasizing a non-tariff barriers by different types. So, so, let us start with the most important non-tariff barriers as part of the theory is discussed with import tariff import quota tariff we have already discussed. So, import quota. So, first point here is import quota. Now, now followed by import quota again what exactly we are going to look at I mean in our next lecture is identifying the exact implications of import quota. How much it has impacts on the country's welfare will be discussed in the next lecture, but here we are emphasizing different types and their practice yes under WTO.

Now, quota one redline very you know very short line is written the direct it has direct consequences it has direct restriction quantity restriction. More effectively if it is shifting demand then quota can be understood very clearly and also there are certain inefficiencies in the distribution of permits if the quota restrictions we will discuss this if quota is actually auctioned off or permits are not given correctly then it may dilute.

So, we will we will discuss then export subsidy we are actually giving subsidies to the exporters to in order to you know facilitate you know trade. In order to reduce the international price in order to make our product competitive many countries try their best to facilitate in terms of exports.

Another content here it is written VER; VER stands for Voluntary Export Restraints. Voluntary export restraints where and there are other important aspects like technical administration let a technical or administration related regulations. So, besides that we also talked about dumping. China used to practice dumping in the international market specially in Indian market we will also discuss that. Besides that there are many other forms of non-tariff barriers should be emphasized.

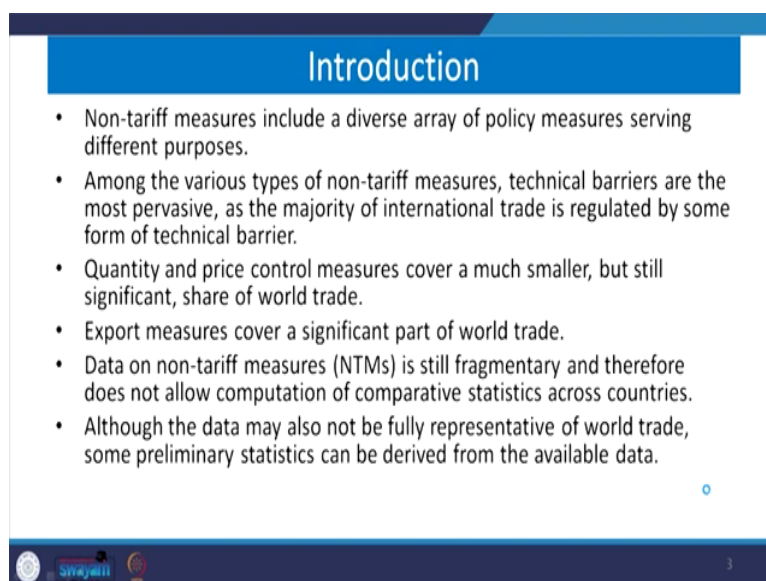
So, this part we are not discussing right now ah, we will be taking of in our next week lecture while we discuss you know International Trade Agreements. Now, as a part of introduction though we have already discussed the framework non-tariff measures include a diverse array

of policy measures which serve different purposes. So, it has you know diversity in terms of implementation.

Among the various types of you know non-tariff measures technical barriers especially we will talk about TBTs are most prevalent and in the majority of the internal trade is actually regulated by some form of the technical barriers like you know since all the trades they are take place among the member countries you know attach with many technical features. So, like you know like bundling or like you know specifications, like you know administrative, rules, regulations, like product features quality in various forms the technicalities are attached.

Now, since technicalities are very diverse in nature and it is very difficult to define a harmonized you know pattern of technicalities so, therefore, each member country while in trade may take the advantage of citing their own standards. So, therefore, this is very much prevalent in the present day's trade.

(Refer Slide Time: 07:33)



The slide is titled "Introduction" and contains a bulleted list of seven points. The slide has a blue header and footer. The footer includes a logo on the left and the number "3" on the right.

- Non-tariff measures include a diverse array of policy measures serving different purposes.
- Among the various types of non-tariff measures, technical barriers are the most pervasive, as the majority of international trade is regulated by some form of technical barrier.
- Quantity and price control measures cover a much smaller, but still significant, share of world trade.
- Export measures cover a significant part of world trade.
- Data on non-tariff measures (NTMs) is still fragmentary and therefore does not allow computation of comparative statistics across countries.
- Although the data may also not be fully representative of world trade, some preliminary statistics can be derived from the available data.

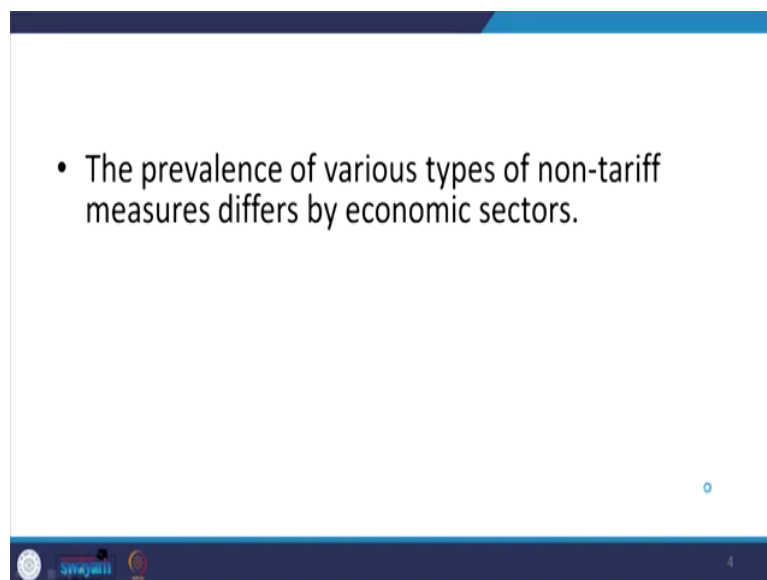
So far as quantity and price control measures are covered as part of you know part of non-tariff measures these to cover much smaller, but still significant and so far as share of world trade is concerned. So, therefore, these two are also considered. Another component as we have already emphasized from the framework that export will you know measures also play a significant you know part of the world trade.

While we talk about the data non-trade measures NTMs which is still very fragmentary and does not you know allow computation of comparative statistics across countries. So, so, it is very difficult to map the exact practices across the country. Although the data as I just mentioned may not be fully representative of the world trade whichever the data we talk about from any country since there are various standards attached, various you know specifications

attached, various features attached, various technicalities attached. So, uniform pattern of tariffs or uniform standards is very difficult to define.

So, so, whichever the database we reform may not be fully representative it might be you know context I mean it is very contextual and refer to the particulars situation. So, from preliminary statistics can be derived from the available data like TRAINS or the database whichever discussed in the last lecture.

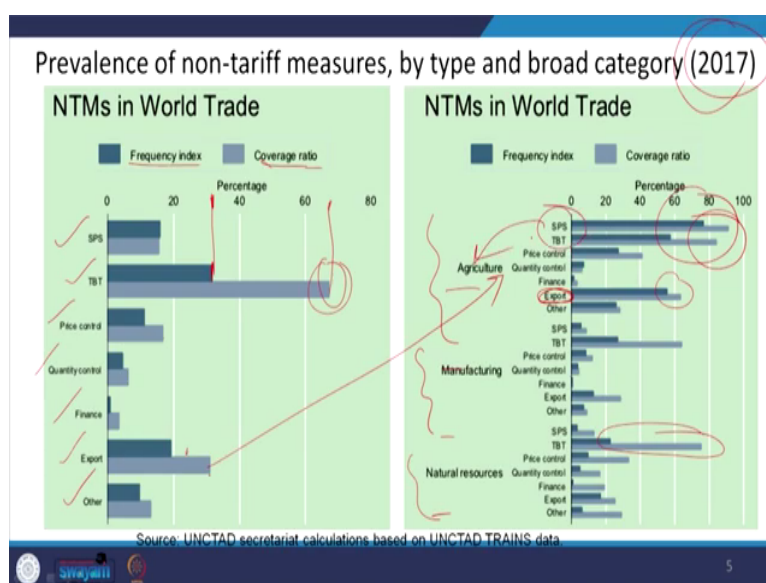
(Refer Slide Time: 09:15)



Now, the prevalence of various types of non-tariff measures actually you know differs by economic sectors. Based on the economic sectors these prevalence are also different as I just discussed sector related to like you know like agriculture actually tend to be regulated by you know majorly in the present days by sanitary and phytosanitary measures and or export related measures.

Basically exports subsidies are largely given in this particular sector and many country restrict due to the standards in terms of SPS you know barrier I mean SPS categories. Whereas technical barriers to trade activities are also used to you know regulate most economic sectors in the present days. As I mentioned quantity and price is still prevalent and also use frequently by smaller percentage in the trade basket.

(Refer Slide Time: 10:36)



Now, so far we discussed the background why NTM is necessary and how why it is necessary to discuss in the in the trade discussion. Now, if we do not count the exact facts though we have discussed in the last lecture, but not in detail specifically for NTM non-tariff measures. So, let us let us have a look at it and this is the source from UNCTAD secretariat calculation using UNCTAD TRAINS data. So, the TRAINS data is used, this is most authentic source to understand the trade related restrictions.

Now, here we go like you know emphasizing the NTM in the World Trade; look at here now this is coverage ratio and frequency index is higher in the deep collar where; I mean in the present days till the latest period. I think this is the period referred to 2017 data, where these are divided by the broad classification on the left panel we are discussing you know world trade and node by sectors, but in the right panel we are emphasizing by sectors.

So, far as you know technical barriers to trade is concerned these carries highest coverage in the present days out of the total non-tariff measures. Now here we are mentioning SPS, TBTs, price control, quantity control, finance related support to export related support directly or any other type of barriers like countervailing duties like you know specification related restrictions like admin restrictions there are various other ways to discuss.

Now, here TBTs as a whole actually captures the highest followed by export promotion and SPS these three are the major component. Now, look at the right hand panel you know in my right here we are emphasizing by sector all those components within agriculture or within manufacturing or natural resources. Now, it is it is observed from the data that these two components are highest within agriculture. Then around look at around 80 percent 60 to 80 percent you know restrictions are made in the agriculture sector.

Whereas, similarly in order to protect the natural resources also many countries practice restricting through you know through TBT channel technical barriers to trade channel.

(Refer Slide Time: 12:59)



- International trade is highly regulated through the imposition of Technical barriers to Trade (TBT) with more than 30 per cent of product lines and almost 70 per cent of world trade affected.
- Price control measures affect about 15 per cent of world trade.
- SPSs affect almost 20 per cent of world trade.
- Export measures are also frequently applied to international trade, still their use is largely related to agriculture.
- most of world agricultural trade subject to forms of SPS and TBT.

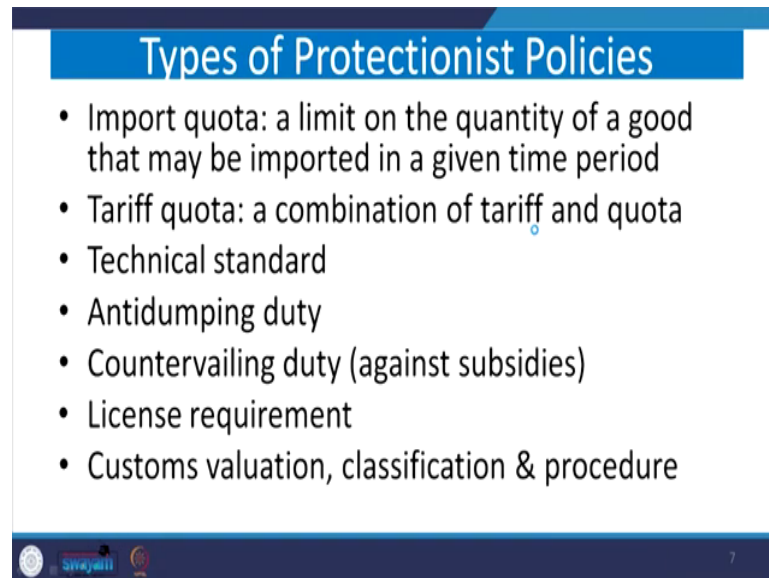
Now, will we will emphasize here now in order to interpret these as I just said international trade is highly regulated through the imposition of TBTs which is consisting of more than 30 percent of the product lines. Here it is the figure TBTs. So far as frequency is concerned more than 30 percent more than 30 percent in the product lines and almost 70 percent of the world affected 70 percent of the world affected due to these are TBTs.

So, now so far as price control measures are concerned or nearly 20 percent of the world trade price control around 20 percent of the world trade but with less than 20 percent and whereas export measures is slightly higher than the price control measures are frequently applied to international trade still you know their use is largely related to agriculture sector.

Now, export measures are again you are here is the export measures in agriculture sector it is it is highest. We are seeing export measures is second highest it is actually due to agriculture

sector alright and most of the world agricultural trade subject to the I mean imposition of TBTs and SPS in special in agriculture sector we just explained.

(Refer Slide Time: 14:29)



Types of Protectionist Policies

- Import quota: a limit on the quantity of a good that may be imported in a given time period
- Tariff quota: a combination of tariff and quota
- Technical standard
- Antidumping duty
- Countervailing duty (against subsidies)
- License requirement
- Customs valuation, classification & procedure

Now, these are the important interpretation of different you know protections as for the latest data. Now, what kind of what are the types we have already discussed import quota it is directly on the quantity imported to the country within a given you know specified period usually one year is referred, but maybe sometimes it is quarterly, sometimes it is you know half yearly. So, similar tariff quota import quota and tariff quota tariff quota is a combination of tariff and quota; so, certain percentage of tariff and certain percentage of quota.

Technical standards we will discuss you know in a short while. Similarly, antidumping duty, countervailing duty or basically against subsidies on the productions or exports, license requirements, custom valuations, classification procedure are broad classification of types.

Now, let us explain it one by one. We have certain confusions on different types by which are called defense measures which are called non-tariff restrictions or barriers.

I feel you know there are four broad categories in the you know definition of WTO world trade organization where they categorically defined which are called defense measures. The country actually or the WTO rules and regulations you know enforced in a manner to defend or create certain measures to I mean defend the countries trade. They are like anti-circumvention, anti-dumping, anti-subsidy and safeguard measures.

These are just you know anti-circumvention basically circumvention basically related to the product lines which are actually copied or product lines which are followed which are just lightly changed without actually you know protecting the original innovator. So, so, anti-circumvention laws are effective in protecting those cases.

(Refer Slide Time: 16:44)

The slide is titled "Types of NTBs" and is divided into two main sections. The first section, "Trade defence measures", lists: Tariff changes, Anti-circumvention, Anti-dumping, Anti-subsidy, and Safeguard. The second section, "Non-tariff barriers", lists: Import controls, State aid and subsidies, Public procurement policy, Localisation policy, Capital controls and exchange rate policy, Export controls, and Other instruments. A red bracket on the right side of the slide groups the items under "Non-tariff barriers". At the bottom left, there are logos for "swayam" and "swayam" with a small icon. At the bottom right, the number "8" is displayed.

| Types of NTBs | |
|--|---|
| <ul style="list-style-type: none">• Tariff changes• Trade defence measures<ul style="list-style-type: none">– Anti-circumvention– Anti-dumping– Anti-subsidy– Safeguard | <ul style="list-style-type: none">• Non-tariff barriers<ul style="list-style-type: none">– Import controls– State aid and subsidies– Public procurement policy– Localisation policy– Capital controls and exchange rate policy– Export controls– Other instruments |

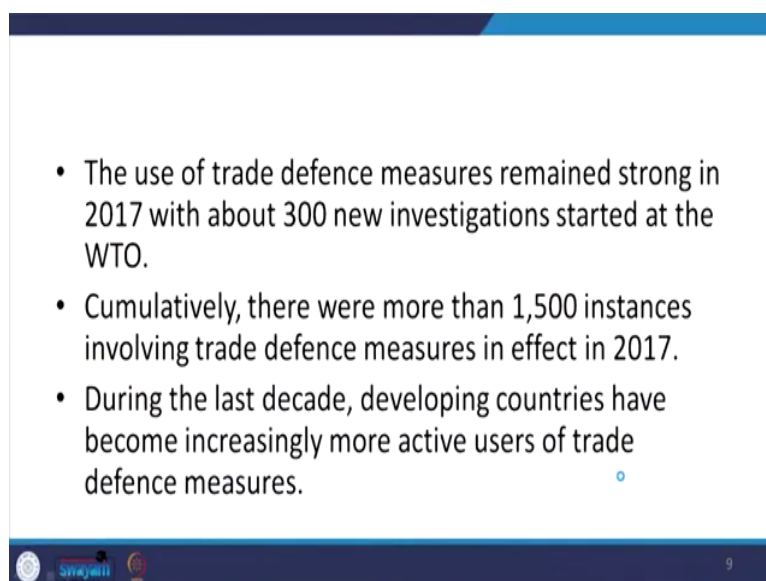
Similarly, anti-dumping basically the prices which are differentiated in different countries or in different markets are controlled by anti-dumping measures anti-subsidy are the subsidies given to different sectors. A few subsidies are given usually it has been argued by many developing countries in different you know WTO framework to restrict the extent of subsidies provided by US, United States to their agriculture sector by which their agriculture sector has been defined is the you know sector which that is more competitive in the international market.

Now, similarly various other forms of safeguarding you know procedures are followed as per the laws of WTO. Now, another part is called trade tariff changes – if the tariff percentage are also changes are also part of part of restrictions instead of maintaining the tariff we are changing frequently it is also creating lots of trouble.

Now, what are the non-tariff barriers? Broadly we have discussed what will emphasize the important aspects: import controls, state aid related subsidies – so, therefore, anti-subsidy you know laws are framed there are certain rules which regulate the maximum you know amount of subsidies would be given, public procurement policy – you cannot just procure whatever we want. So that in future it your in I mean it may deter the extent of market and thereby in certain other period the market can able to take advantage in terms of prices and to restrict trade.

Similarly, localization policy, localizing any you know product and what kind of facilitations are provided you also important. Capital controls and exchange rate policy export controls and other instruments like TBTs and SBS will be discussed

(Refer Slide Time: 18:56)

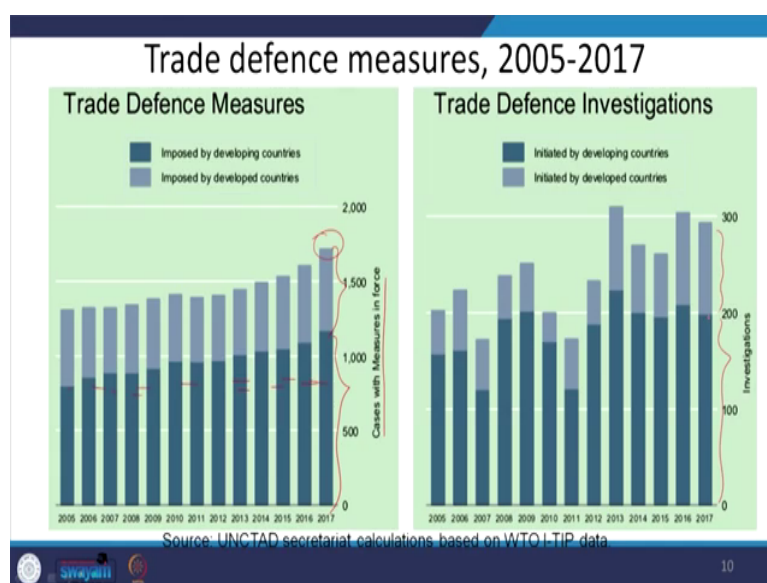


- The use of trade defence measures remained strong in 2017 with about 300 new investigations started at the WTO.
- Cumulatively, there were more than 1,500 instances involving trade defence measures in effect in 2017.
- During the last decade, developing countries have become increasingly more active users of trade defence measures.

So, the use of trade defense measures trade defense measures non-tariff barriers remained strong in 2017 with around 300 new investigation started at the WTO. So, 300 new investigation started because of the trade differentiated measures or taken by WTO. So, and cumulatively there were more than 1500 instances over the time; specially in 2017 it was 300 in I mean over the time more than 1500 instances where trade you know involves defense measures. So, in I mean till the date 2017 those instances are in effect actually.

During the last decade, developing countries have become increasingly more active you know in practicing you know differentiated measures which have already discussed. So, what are the different defense in reality from 2005 to 2017 over this period as per the UNCTAD data source and their calculation we are referring to understand the differences.

(Refer Slide Time: 20:17)



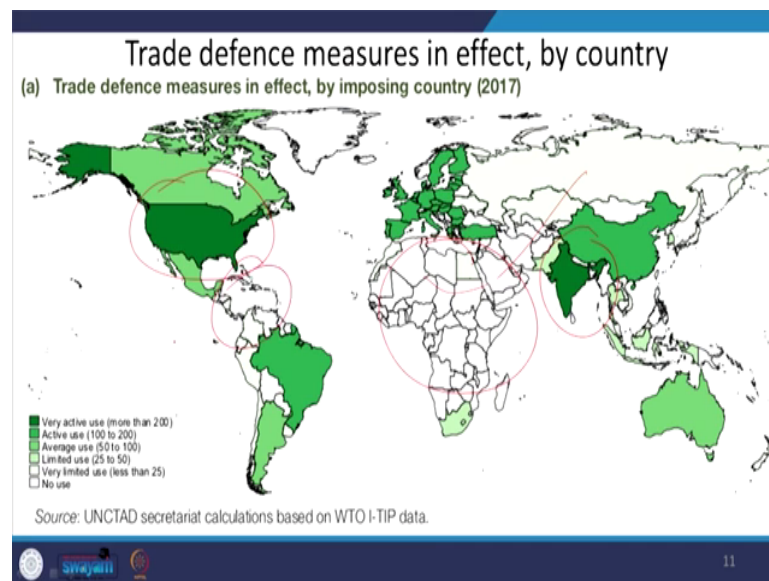
Now, here it is mentioned as the color which is more deep is for the developing countries and the lighter color for the developed countries. Now, so far as trade you know defense measures are concerned, now we can understand this very clearly. This gap is compared to this gap. So, developing countries practice more you know defense measures initially it was little lesser now; I mean if the rate of change is compared the rate of change in the developing countries is very high.

Whereas, in developed country it is you know by percentage lesser. Now, here we are mentioning cases with measures in force to around 1500 plus here it is written 1500 plus you know cases have been noted, in I mean till 2017; these are all in cumulative figures. Now, if you look at trade defense investigations made investigations made. Now for I mean still it is to

more than 200 in 2017 by the developing countries and for the developed country it is of around another 100.

So, developing countries investigations are more; I mean more than double then the that are the developed countries investigation related to trade defense measures.

(Refer Slide Time: 21:56)



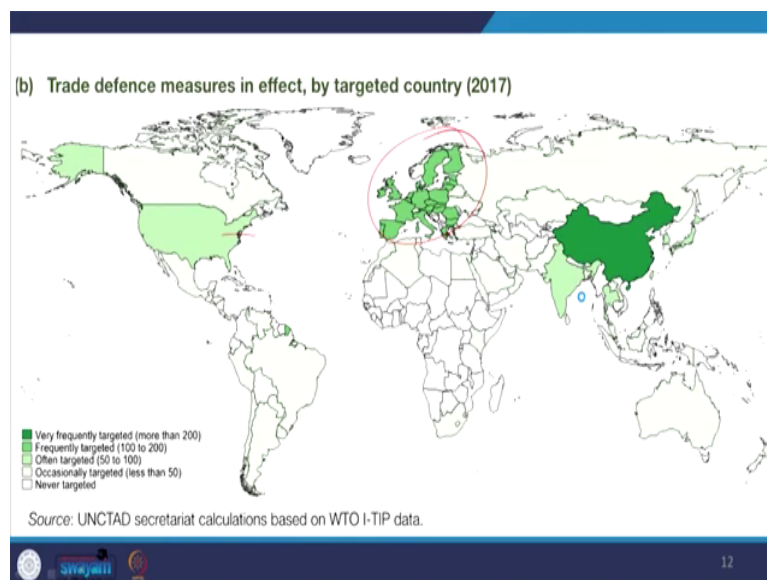
Now, what about trade defense measures in effect by country which can easily be understood from the map? This map is again made by UNCTAD. Now, that I mean the magnitude of the color or the you know the color and it depth defines the extent of NTM you know in practice.

We as we have already mentioned in the earlier lecture based on the facts and figures that you know US imposes around 800 you know tariff measures, which I have were followed by India. So, therefore, these two countries are actually highlighted with the with the highest percentage

of percentage of you know tariff measures taken. So, very active is highlight in the deep most color with more than 200 cases are observed in these two countries.

Whereas, the second highest are observe in other part of the countries 100 to 200 with the you know color identifies this whereas, here Russia and these part of the country are actually having lesser imposition so far as NTM is concerned now where as trade defense measures in effect it is concerned as for the 2017 data very frequently targeted by China.

(Refer Slide Time: 23:21)



Now, China you know takes huge numbers of trade defense measures. So, trade defense measures like you know here followed by followed by India; I mean here China or parts of European countries then followed by US and in India. So, these are the data from WTO I-TIP data which I have already discussed.

(Refer Slide Time: 24:06)

Import controls

- Import ban
- Import incentive
- Import licensing requirement
- Import monitoring
- Import quota
- Import tariff quota
- Import-related non-tariff measure, Internal taxation of imports
- Trade balancing measure
- Trade payment measure

13

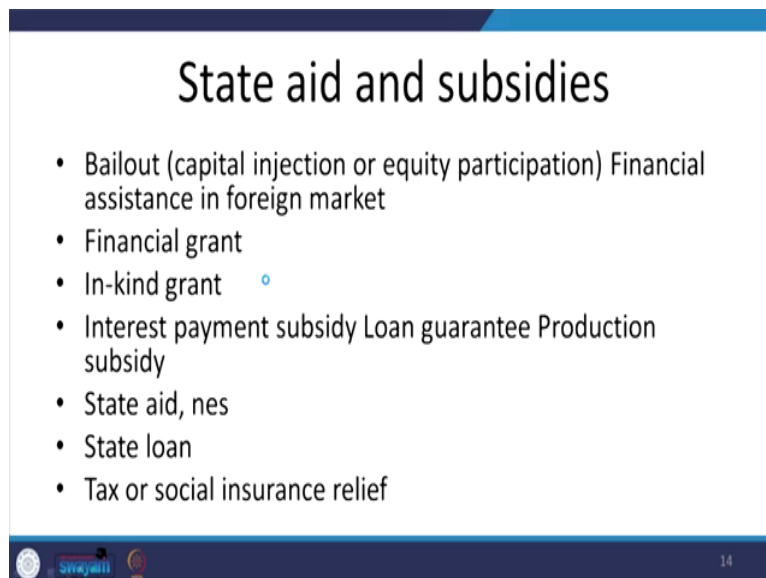
Now, so, trade defense measures in effect are discussed and which is actually you know important for discussion for all of us because of the fact that you know trade defense measures are largely practiced by China. I think this gives you know very good feature in understanding in a non-tariff barriers. As I have already discussed various types of non-tariff measures, out of that import controls is I mean carries huge you know percentage in practice. Out of that you know import control measures, there are around 7 or 8 indicators which are very important 9 indicators here mentioned.

Out of that there are import bans, import incentives, import licensing related requirements and import monitoring, import quota will be emphasizing with the help of diagrams and its effect. In the next class and import tariff quota where tariff as well as you know import both are in

practice they combined you know tax, not just tariff individually both are both are taken together. Then import related you know measures.

Now, import related measures where will be emphasizing on the fact related to certain import related measures, then besides that we will also discuss you know internal taxation of taxation of imports. So, and trade balancing measures then trade payment measures. So, among all those different nine indicators will be emphasizing majorly on import quota with diagram that will clarify the discuss related to import quota import controls.

(Refer Slide Time: 26:00)



The slide is titled "State aid and subsidies" and lists the following items:

- Bailout (capital injection or equity participation) Financial assistance in foreign market
- Financial grant
- In-kind grant
- Interest payment subsidy Loan guarantee Production subsidy
- State aid, nes
- State loan
- Tax or social insurance relief

The slide footer contains a logo on the left, the word "swajani" in the center, and the number "14" on the right.

Similarly, there are another indicator other indicators out of the state aid and subsidies as we have already discussed. Subsidies may be in kind, may be subsidies through financial grant. And generally financial assistance have provided in the production process which has been largely debated in WTO negotiations; like an interest payment subsidies to the loan grantee

especially for production literal subsidies and state aid, nes you know state loans, tax or social insurance reliefs etcetera are also given simultaneously for making the products very competitive.

(Refer Slide Time: 26:52)

Public procurement policy

- Public procurement access
- Public procurement localization
- Public procurement preference margin

15

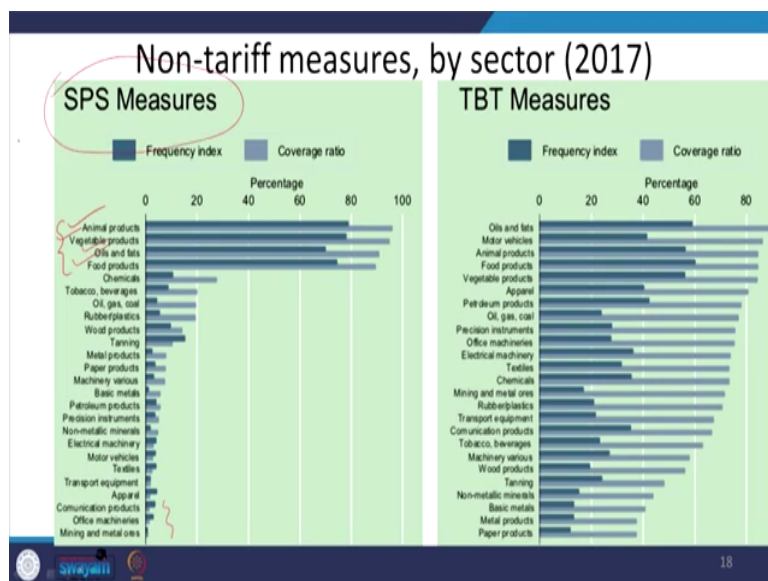
Now, look at a public procurement policies I mentioned as part of the you know NTM measures. There those might be public procurement access and then maybe of localization of the procurement and similarly of you know procurement you know preference margin that margin preference can be changed that will also restrict trade.

Now, so far as localization policies concerned as I mentioned that you know it facilities local operations, local sourcing and localization incentives in order to localize the domestic products in the international market for example, you know a country can facilitate the importer to localize the product of another country.

So, in that case that will be actually you know countervailing the duties the countervailing the trade patterns. Similarly, so far as capital controls and exchange rate policies are concerned it is related to you know like you know checking with price stabilization also is checking with you know competitive depreciation, if there is any in any strategies taken by the member countries.

So far as you know some other technical other restrictions are concerned as I mentioned repeatedly SPS and TBTs carry the huge percentage as we have already verified now which are the product lines by sector we can explain for the year 2017; which are the segment having you know highest amount of SPS and TBTs?

(Refer Slide Time: 28:34)

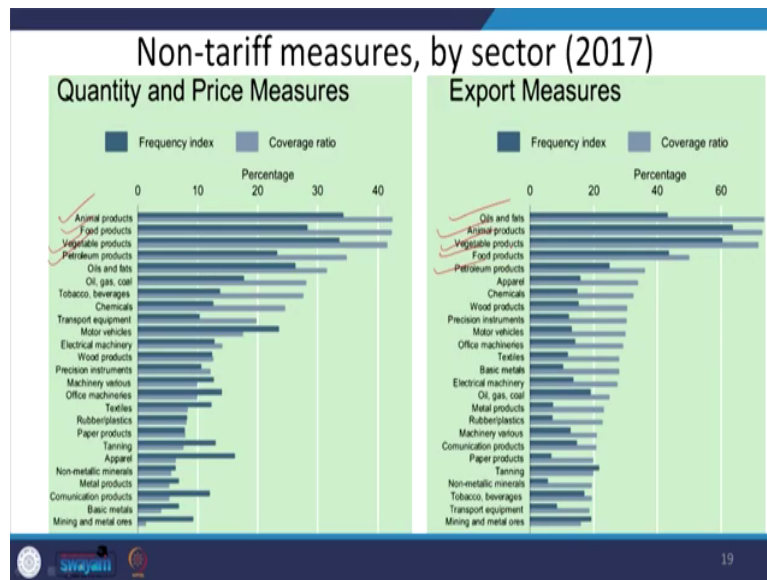


Here the figure says that ah let me read out animal first one is animal products, vegetable products, oil and related fats, food products. These four food, oil and fats, vegetable and

animal products actually carry highest amount of SPS related measures practiced by mostly by developing countries.

Now, otherwise like mining, office machineries, communication related products are actually facilitated trade across the globe and which is not restricted. And, this is specially you know SPS related measures. We will also discuss these details in our SPS class in the next day, today we are emphasizing you know on purely on non-tariff by types. TBTs measures are largely followed TBTs are has actually taken in almost all the products, but majorly again on oil and fats, motor vehicles, then animal products, food products etcetera. Paper, metal, basic metals are actually attaching less TBT measures.

(Refer Slide Time: 29:44)

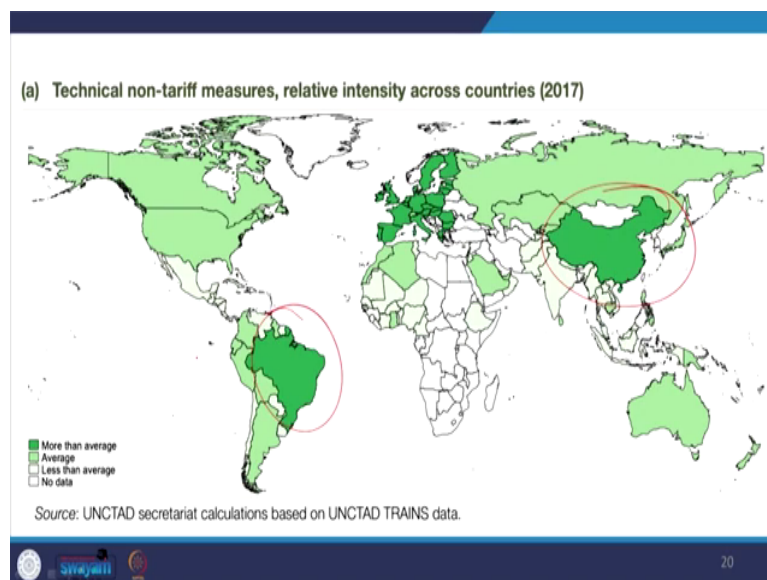


Whereas, quantity or price measures are concerned or export measures are concerned we are comparing these to quantity or price measures are I have already said quantity related

productions or dumping related price practices the countries like you know are more practicing on animal products, food products, vegetable products, petroleum production.

Whereas in case of export you know measures 4 indicators again 4 to 5 indicator like oil and fats in almost all these you know categories we have observed – animal products, vegetable products, food products and petroleum products were export related measures have also been given. So, basically subsidies are given in these sectors.

(Refer Slide Time: 30:37)



Now, look at the kind of you know non-tariff measures and their relative you know intensity across countries in 2017. So, we can intensity so far as the relative intensity is concerned so, whoever is more than average is highlighted in deep shaded color. So, these are intensity is very high in some Latin American countries also the intensity is very high and China is among

the highest. So, intensity of those technical you know non-tariff measures are much higher in practice by China.

(Refer Slide Time: 31:17)



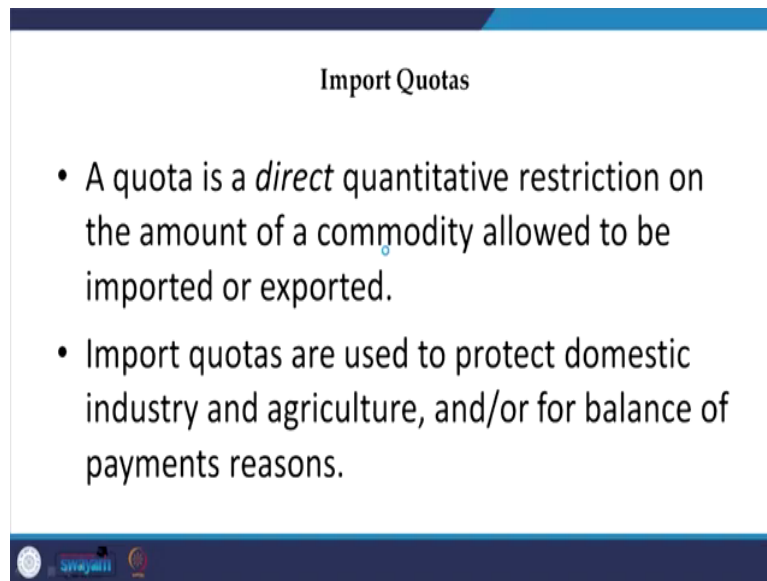
Export controls

- Export subsidy
- Other export incentive
- Tax-based export incentive
- Trade finance
- Export ban
- Export licensing requirement
- Export quota
- Export tax
- Export-related non-tariff measure, nes

 21

So, similarly what are the export controls or export subsidies or the export incentive, tax bias export incentive, trade related finance, export ban, export licensing requirement, export quota, export taxes, export related non-tariff measures etcetera or part of export subsidies.

(Refer Slide Time: 31:49)



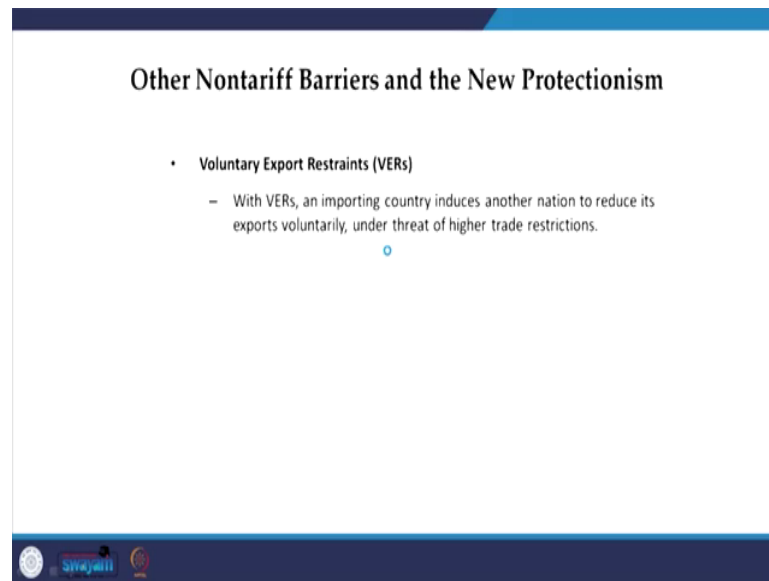
Import Quotas

- A quota is a *direct* quantitative restriction on the amount of a commodity allowed to be imported or exported.
- Import quotas are used to protect domestic industry and agriculture, and/or for balance of payments reasons.

The slide features a blue header and footer. The footer contains three logos: a circular logo on the left, the word 'swayam' in the center, and a circular logo on the right.

Now, so far as import quotas are concerned which I have already discussed as part of import controls. We will discuss these diagrams these other indicators in our I mean import quota basically how much quota to be restricted, we will discuss in detail in our next lecture.

(Refer Slide Time: 31:53)



And, here I think I need not stretch a much. So, what I wanted to say that in we will take off all those things in our next class dumping in detail, export subsidy also in detail.

So, in short we have discussed various facts of non-tariff defense measures or barrier restrictions measures by different countries we by sectors or a different period of time, also we also emphasize different types of non-tariff barriers it practiced by WTO. So, in the next class will clarify the impacts or effects of those you know impacts some of those impacts. I think it is understood to you, I should stop here.

Thank you.