Non-tariff Barriers

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- Non-tariff barriers are the government policies other than tariffs that tend to distort trade.
- Non-tariff barriers can be of two types, one that has direct influence on the price of the goods being imported and the other that influences or controls the quantity of the goods being imported.

1 Direct Price Influences

1.1 Subsidies

- Subsidies are the direct payments made by the government to domestic producers. It can take form of cash payments, low interest loans, government participation in ownership, tax incentives, etc.
- Subsidies help in lowering down the cost of production of domestic goods as a result of which the prices also come down. It helps domestic producers to capture export markets by making their products cheaper in international markets.
- Export subsidies under the WTO agreement are treated as unfair trade practice. The importing countries counter such subsidies by levying countervailing duties on imported goods so as to offset the impact of these subsidies.

2 Quantity Controls

2.1 Quotas

- It refers to the direct restriction on the quantity of goods that can be imported into a country during any period of time.
- In other words quotas limit the quantity of imports of any particular commodity coming into a country during a

certain period of time. This is normally done through giving of import licenses to the importers. For example, the United States has a quota on cheese imports; India has a quota on import of gold.

2.2. Voluntary Export Restraints (VERs)

- VERs are bilateral agreements instituted to restrain the rapid growth of exports of specific goods. Essentially, the government of country X asks the government of country Y to reduce its companies' exports to country X voluntarily to help the importing country X to protect its domestic industry

2.3. Local Content Requirement

- A local content requirement is a requirement that some fraction of the product must be produced locally or in the domestic market. The requirement can either be expressed in physical terms (60% of the parts of the product) or in value terms (60% of the value of the product). Thus, it ensures that if any company wants a contract from the government agency, it must ensure that at least a certain portion of the product must be produced or procured locally.
- E.g: Domestic content Requirement under Jawaharlal Nehru National Solar Mission (JNNSM)

2.4. "By Local" Legislation

- Under this form of trade policy the government makes its purchases from domestic producers only.
- This legislation forbids the government departments to make use of imported goods. However, the government may at times permits the use of imported products only if the price is below than that of the domestic producer.
- The economic effect of local content requirement and buy local legislation is same as that of quota. It limits foreign competition thereby benefiting the domestic

producers. The restrictions on imports raise the price of goods for the consumers.

2.5. Labelling and Testing Standards

- Some countries require that goods entering into their boundaries must meet certain requirements in terms of packaging, labeling and testing standards. Such countries allow sale of only those goods which satisfy these standards.

2.6. Sanitary and Phytosanitary (SPS)

- These measures are taken to protect against risks linked to food safety, animal health and plant protection or to prevent or limit damage within the territory of a country from the entry, establishment and spread of pests from a foreign country.

2.7. Specific Permission Requirements:

- This measure requires that potential importers or exporters secure permission from governmental authorities. This involves the issuing of import or export licences which may be costly and time consuming.

2.8 Counter trade

- The exchange of goods with goods between countries is referred to as countertrade. This practice is common in case of aerospace and defence industries whereby the importer country may not have enough foreign currency to pay for imports.

2.9. Administrative Barriers to Trade

- Administrative barriers to trade are a special category of non-tariff barriers and their main sources are administrative regulations and procedures that have a restrictive effect on international trade.

- Delays may be made with respect to issue of licences, customs valuation, and clearance of consignment of goods and so on.
- **E.g: Anti-dumping**
- Dumping can be defined as selling goods in foreign market at below their fair market value or selling goods in foreign market at below their costs of production.
- Anti-dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect.