4 The Implications of NTB Inventory Studies

Although the procedure does not provide basic information for simulating economic effects of non tariff barriers (as do most of the studies surveyed in Chapter 5), the ‘inventory’ approach has been widely used in NTB studies. However, a problem that must be resolved before any ‘inventory’ analysis of trade restraints is undertaken is to determine which non tariff measures will be included in the empirical analysis. One potential approach is to base an empirical study on all entries in the inventory, but there are acknowledged problems with such a line of analysis. The major difficulty is that it would include measures like health and sanitary requirements or automatic import authorisation systems that may often have no, or relatively unimportant, trade effects. As such, NTM frequency or trade coverage indices which included such regulations would likely overstate the importance of nontariff measures.

In recognition of the potential problems, a more selective approach has often been employed in inventory studies of nontariff measures. This approach recognises that certain types of measures, like quotas or variable import levies, normally are imposed with the specific intent of modifying or restricting international trade. These ‘hard core’ nontariff measures are frequently defined to include: variable import levies and other similar product-specific charges; non-automatic import authorisation requirements such as restrictive licensing regulations; ‘voluntary’ export restraints for both prices and quantities; trade restrictions negotiated under the Multifibre Arrangement (MFA); prohibitions; and various quantitative restrictions such as global and bilateral quotas. Since the present chapter is primarily concerned with trade effects, the empirical analysis focuses on these ‘hard core’ restrictions. Measures like health and sanitary regulations, packaging and labelling requirements, or technical standards, all of which can be applied in ways that restrict trade, are excluded from the analysis.¹

THE GLOBAL IMPORTANCE OF NONTARIFF MEASURES

A question of obvious importance for any assessment of nontariff measures concerns their overall or global influence on world trade.
For an initial evaluation, Table 4.1 shows NTM frequency and trade coverage indices for OECD imports from the world and three major groups of exporters, namely, developed, developing and socialist countries of Eastern Europe. To assist in evaluating changes in the application of these measures the NTM (hard core) indices have been computed for three years: 1981, 1983 and 1986.  

Overall, Table 4.1 shows that in 1981 ‘hard core’ nontariff measures were applied to approximately 15.1 per cent of OECD non-petroleum imports, a point which indicates that about $80 billion in trade (excluding EEC intra-trade) was affected. However, there is some variation in the incidence of hard-core NTMs on different exporters. Table 4.1 shows, for example, that in 1981 approximately 14.3 per cent (or $49 billion) of OECD imports from other developed countries were affected by nontariff measures, while the trade coverage index for developing countries was 4.5 points higher or 18.8 per cent (which implies $26 billion in affected trade). The relatively low NTM coverage ratio for the socialist countries’ exports (9.3 per cent) is due largely to the high share (about 22 per cent) of natural gas (SITC 34) in total exports to the OECD area and the fact that these products did not encounter hard-core trade measures.

The statistics in Table 4.1 show the importance of NTMs increased from 1981 to 1986. Overall, the hard-core trade coverage ratio rose by 2.6 percentage points over 1981–6, which implies that these barriers spread to approximately $14 billion in previously unaffected trade. The increase was spread unevenly among the different groups of exporters, with the 3.2 percentage point increase for developed countries being the largest in the table. Analysis of the underlying statistics shows that ‘voluntary’ export restraints were a major element in this expansion of protectionism (particularly in the United States – See Table 4.9), and that their use was largely concentrated in several specific sectors like ferrous metals, agriculture and transportation equipment.

Table 4.2 examines changes in the use of hard-core nontariff measures in sixteen individual OECD countries over the 1981 to 1986 period. For each country, NTM frequency and trade coverage ratios are shown for 1981, 1983 and 1986, and their change (in points) over the period is computed. The country breakdown indicates that the United States had the greatest expansion in new trade restrictions as its NTM trade coverage ratio rose 5.9 points to 17.3 per cent. This increase was almost two-and-a-half times that of the European Community (where the index rose by 2.4 points) and more than doubled