

Non-Tariff Measures: An Analytical Observation with Special Reference to Indian Textile and Clothing Industry

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ABSTRACT

Non-tariff measures plays significant role in international competitiveness because market access at international level is dependent on the tariff and non-tariff measures. The tariff measures can be quantified but the quantification of non-tariff measures is not possible easily and accurately. The most crucial fact is that developing countries have comparative advantage in many products at international level but developed countries like EU and US try to hinder the imports of developing countries. This paper analyzed the different kinds of NTMs in general and NTMs imposed on Indian textile and clothing industry in particular. The standardized classification of non-tariff measures and various NTMs imposed by various countries have been studied in this research paper. India almost removed all of its NTMs except some essential NTMs which are necessary to protect human, plant and animal life. This paper further explored many types of NTMs which have been faced by Indian textile and clothing industry and found EU, US and other countries imposed barriers on the ground of labour and environmental concern.

1. Non- Tariff Measures (NTMs): An Introduction

It is one of the important aspects of market access which hinder the competitiveness and contain the measures other than tariffs adopted by countries to regulate, restrict or stop the products on the ground of public, animal or environmental health. There are various measures which can be imposed on the imports and exports of goods such as technical barriers to trade, preshipment inspection, quota restriction, licensing etc. These measures are now being widely used by Developed countries as their tariff rates has been declining but these barriers protect their industries from developing countries exports. One recent example can be given of United nation imposed many restriction to the north Korea for not to exports the vehicles, machinery and other important products to North Korea for stopping the Nuclear programme¹. Robert (2011) explained in his working paper the classification (Table:1) of non- tariff measures in two ways as in short and in broad term, in short term these are the measures other than tariff which impact trade flows and in broad sense he classified NTMs in three categories in which first NTMs related to Imports and second category related with Exports and both of these NTMs are imposed on border, the third type of NTMs imposed internally by the country². The standardized classification has

been done of NTMs by UNCTAD and code has been given to each non-tariff measure in the form of ABC which further have sub codes as A1, B1, C1 etc. As can be seen in table no 2 that code A granted for sanitary and phytosanitary measures and code B for Technical Barriers to Trade and I for trade related investment measures. The Code from 'A' to 'O' are related to imports NTMs and code 'P' relates with Exports NTMs. In this section explanation is being done for Sanitary and Phtosanitary (SPS), Technical Barriers to trade measures (TBT) and Rules of Origin as under:

2. Sanitary and Phytosanitary Measures (Code A)

These are the measures which impose on imports for the sake of safety of animal, Plant and Humanhealth. These measures ultimately create the barriers to competitiveness. The agreement of SPS measures came into effect with the setup of WTO and in this agreement member countries were free to set their own standards of sanitary but these standards must not hinder the trade by the reason to protect the domestic industry³. The good and bad uses of these measures are possible as good uses prohibit the poultry products from that country which is already affected by FLU⁴. The SPS barriers are often used by the EU, Australia and

Table: 1 Non- Tariff Measures Classification

Country Border NTMs		Internal Domestic NTMs
Imports NTMs (Ist Category)	Exports NTMs (IInd Category)	(IIIrd Category)
Import quotas	Export taxes	Health/Technical/Product/Labor/Environmental Standards
Import prohibitions	Export prohibitions	Internal Taxes
Import licensing	Voluntary Export Restraints	Domestic Subsidies
Customs Procedures		
Administration fees		
Source: Robert W. Staiger (2012) , "Non-tariff Measures and the WTO" Staff Working Paper ERSD-2012-01, Economic Research and Statistics Division, World Trade Organization, retrieved from: https://www.wto.org/english/res_e/reser_e/ersd201201_e.pdf		

EU impose many hygiene requirements on developing countries products which is based on process and not the boarder inspection basis which created many problems for the developing countries⁵.

3. Technical Barriers to Trade (Code B)

These measures set out the requirements for technical procedures, labeling, Packaging and technical features, production methods of the products. TBT specially ensures the assessment of Conformity procedure with technical standards

of products which may also determine the procedure for sampling, testing and inspection of products⁶. The agreement on TBT measures came into the effect in Tokyo round negotiation (1974-79)⁷. Like SPS measure, the misuse of TBT measure for impeding the competitiveness can be done as some importing countries may refuse the conformity procedure of product declared by the producer or may ask the repetition for the inspection or not approving the test declaration of producer etc⁸.

Table :2 Non-tariff measure classification by chapter			
IMPORTS	Technical measures	A SANITARY AND PHYTOSANITARY MEASURES	
		B TECHNICAL BARRIERS TO TRADE	
		C PRE-SHIPMENT INSPECTION AND OTHER FORMALITIES	
	Non technical measures		D CONTINGENT TRADE-PROTECTIVE MEASURES
			E NON-AUTOMATIC LICENSING, QUOTAS, PROHIBITIONS AND QUANTITY-CONTROL MEASURES OTHER THAN FOR SPS OR TBT REASONS
			F PRICE-CONTROL MEASURES, INCLUDING ADDITIONAL TAXES AND CHARGES
			G FINANCE MEASURES
			H MEASURES AFFECTING COMPETITION
			I TRADE-RELATED INVESTMENT MEASURES
			J DISTRIBUTION RESTRICTIONS
			K RESTRICTIONS ON POST-SALES SERVICES
			L SUBSIDIES (EXCLUDING EXPORT SUBSIDIES UNDER P7)
			M GOVERNMENT PROCUREMENT RESTRICTIONS
		N INTELLECTUAL PROPERTY	
	O RULES OF ORIGIN		
Exports	P EXPORT-RELATED MEASURES		

Source: UNCTAD , 2012 Version, retrieved from:
http://unctad.org/en/PublicationsLibrary/ditctab20122_en.pdf

4. Rules of Origin (Code O)

This is the non-tariff measures which determine the source of product or actual origin place of the product. This determination is essential for many purposes as importing country cut the tariff rates, charge the anti-dumping and countervailing duties or any other relaxation or restriction can be imposed according to the origin of the product. There is no rule at WTO to determine the rules of origin for any country. Every country is free to determine its own rules and regulation which clarifies the original source of the country and accordingly relaxation or restriction can be granted to exporting country⁹. The good and bad uses of this NTM is possible in various cases to hinder the competitiveness as importing country may deny to relaxation in the tariff rates of such importing machinery in which material and parts used from restricted origin country¹⁰.

5. Non- Tariff Measures Adopted By Various Countries

Table no 3 shows that how country tried to impediment the market access through non-tariff barriers which will ultimately affected the competitiveness. The data of NTBs compiled from world Trade Integrated Solution from 2002 to 2017. Although there is very limited available data of NTBs, WITS provide NTBs data for all countries. Some gaps in the

columns can be seen, this may due to many reasons such as data not available for that country or country itself not reported the data or any other reasons but analysis can be done on the available data. The coding system has been done at the WITS according to UNCTAD that has been already given in table no. 2 which shows that there are basically three types of NTMs, Codes ABC relates with Technical type barriers for imports, codes from D to O relates to non-technical barriers for imports and P is for export related measures and many sub-codes are associated with every codes which can be seen at the link given in table no 2. It can be observed by the table 3 that from 2002 to 2009 there had been the NTMs of code D and D represents to contingent trade protective measures. These are the measures which imposed to check the unfair foreign trade practices and unsafe imports by the importer country. This further can be classified in three types as antidumping measures, countervailing measures and safeguards measures. The diversification in imposing the NTMs can be seen in the case of Brazil, EU, India, Indonesia, Pakistan, Turkey and the US where many types NTMs have been imposing since 2010. The EU has been the number one in charging the various types of NTMs. The code P which is given to Exports related measures has been imposing continuously by the EU since 2012. These are the measures which applied on the exports of any country and these measures sets out by the government of

that country for exporters such as export licenses, quotas and registration compliance etc¹¹. These measures used for no. of reasons by the exporting country for example if there is shortage of product in domestic economy, Government may restrict the exporter to exports. The Pakistan also used this non-tariff measure. India applied the codes A,B,C,D,E,F and H

in 2012. The above analysis clearly shows that there are no. of non-tariff barriers have been facing by exporting countries, although these are essential because these save domestic economy from import surge or unfair foreign trade practices, these barriers impediments to free trade regime and threat to international competitiveness.

Table :3Non- Tariff Measures Adopted By Various Countries

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Brazil	D	D	D	D	D	D	D	D	D	D	A,B,C, D,E,F, H	A,B,C, D,E,F, H	A,B, C,D, E,F,H	A,B, C,D, E,F,H	A,B, C,D, E,F,H	A,B, C,D, E,F,H
China	D	D	D	D	D	D	D	D	D	D	D	D	-	-	-	-
Egypt	D	D	D	D	D	D	D	D	D	D	D	D	-	-	-	-
EU	D	D	D	D	D	D	D	D	A,B, C,D, E,G, H	A,B,C, D,E,G, H	A,B,C, D,E,G, H.P	A,B,C, D,E,G, H.P	A,B, C,D, E,G, H.P	A,B, C,D, E,G, H.P	A,B, C,D, E,G, H.P	-
India	D	D	D	D	D	D	D	D	D	D	A,B,C, D,E,F, H	D	-	-	-	-
Indone-sia	D	D	D	D	D	D	D	D	D	D	D	D	-	A,B, C,E,F, H,J, P	-	-
Japan	D	D	D	D	D	D	D	D	D	D	D	D	-	-	-	-
Pak	D	D	D	D	D	D	D	D	D	D	D	D	-	-	A,B, C,E,F, G,P	-
Turkey	D	D	D	D	D	D	D	D	D	D	D	D	-	-	A,B, C,E,F, G,H	-
US	D	D	D	D	D	D	D	D	D	D	D	D	A,B, C,D, E,F, G,P	-	-	-

Source: World Integrated Trade Solution

6. Non-tariff measures on India’s Imports

The Prohibition, restriction of imports through licensing mode or quantitative restrictions has been widely used non-tariff measures. The quantitative restrictions (QRs) had been removed from 714 items in 1999-2000 and remaining 715 items were freed from QRs in the 2000-01¹². Table no.4 shows four types of Non-tariff barriers. The prohibited items are those which export and imports are banned by the Government¹³ and the 59 tariff lines were prohibited in 1996 and 52 in 2003. The restricted products are those which exports and imports can be

done by the license and restricted tariff lines were 2984 in 1996 and reduced to only 484 in 2003. Likewise Canalized products can be exported or imported via any canalizing agency and the tariffs lines were 127 in 1996 which decreased to 32 only in 2003. The requirement of special import license was freed from 2001. The free tariff line were 6161 in 1996 and increased to 11103 in 2003 in absolute term but in relative term the ratio of freed tariff lines increased from 61 per cent to 95 per cent from 1996 to 2003. The 5 per cent QRs has been maintaining on the ground of food, Plant and human safety point of view.¹⁴

**Table : 4 Various NTBs on India’s Imports
(No. of Tariff lines, 10 Digit level)**

	1996	2000	2001	2002	2003
Prohibited	59	59	59	52	52
Restricted	2984	968	479	554	484
Canalized/STE	127	34	29	33	32
SIL	765	226	-	-	-
Free	6161	8854	9582	11032	11103
Total	10,096	10,141	10,149	11,671	11,671

Note: 1. STE : State Trading Enterprises.
 2. SIL : Special Import License.
 3. — : Nil.
Source: 1. Economic Survey, Government of India, 2001-02.
 2. Ministry of Commerce and Industry, Government of India.
 3. Report on currency and finance, RBI

7. Non-tariff Measures on India’s Textile and Clothing Exports

Indian Textile and clothing industry has been facing non-tariff measures for long time and this impact the competitiveness of Indian textile industry. The table 5 shows the NTMs which has been imposed by various countries time to time on India’s T&C exports. As EU has been imposing

environmental, labour standards and minimum import price NTMs and US imposed various NTMs such as Customs clearance, documentation requirements, labeling and rules of origin. The labeling barrier has been imposed by many countries as Japan, Korea, Mexico and US and minimum support price barriers by Argentina, Brazil, Colombia and EU. The Colombia and Nigeria restricted the T&C exports of India.

Anti-Dumping	Turkey
Certification	Colombia, Ukraine
Customs	Chile, EC, Mexico, US
Documentation	Mexico, US
Environmental	EC/EU
Import Restriction	Nigeria, Colombia
Labeling	Japan, Korea, Mexico, US
Labour	EC/EU
MFN	Pakistan
Minimum Import Price	Argentina, Brazil, Colombia, EC/EU
Rules of Origin	Mexico, US
SPS	Japan
Standards	Japan
Subsidy	Bangladesh
<p>Source: Saini, K Gordhan (2009) “Non-Tariff Measures Affecting India’s Textiles and Clothing Exports: Findings from the Survey of Exporters” <i>Indira Gandhi Institute of Development Research, Mumbai December 2009</i> http://www.igidr.ac.in/pdf/publication/WP-2009-008.pdf Data compiled by author from Ministry of commerce, India.</p>	

8. Conclusion

This paper found that classification of non-tariff barriers or measures had been done according to UNCTAD 2012 version in which categorization is based on alphabets from A to P and p related with the exports measures. The non-tariff measures not only imposed on imports but implication on exports can also be done for the protection of economy. The most important NTMs which have been drawing the attention of scholars are sanitary and phytosanitary, technical barriers to trade and rules of origin. The comprehensive information provided on non-tariff measures by world trade integrated solution (WITS) showed that various types of NTBs hinder the free trade regime. The EU is the on the top which impose

various types of NTBs such as environmental or labour on the imports of developing countries. The code D remained very important NTB in past many years which is assigned to contingent trade related trade protective measures. This paper also explored that how NTBs on Indian imports have been removed in many phases and now only 5 per cent NTBs are in existence for the sake of protection of domestic people and industry. At last, the NTBs imposed on India’s textile and clothing exports were being discussed and found that minimum import price, labeling, environmental and customs are the NTBs which imposed frequently on India’s textile and clothing exports which ultimately impeding the competitiveness of this Industry.

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