

# Technical Barriers to Trade

Dr.J.Murugapandi M.Com.M.Phil.M.B.A.Ph.D.PGDCA.

Assistant Professor

GTN Arts College

Dindigul.Tamilnadu.

## Abstract

With the progressive erosion of tariffs and other forms of non-tariff barriers that can restrict international trade, countries are turning to Technical Barriers to Trade (TBTs) as a means of regulating markets, protecting their consumers and natural resources, and possibly discriminating against imports in favor of domestic products. For food product exporting Small and Medium Enterprises (SMEs) in developing countries, the impact of these technical barriers applied as standards and regulations is more damning because in many respects they lack the necessary Trade - Related Capacity to implement the various technical requirements in export markets; a prerequisite for international competitiveness. This study develops a joint holistic theoretical framework that will guide a Trade - Related Capacity Building Approach (TRCBA) in standards towards international competitiveness for SMEs.

**Keywords** ;Technical Barriers to Trade ; Small and Medium Enterprises; ;Standards; Regulations;

## Introduction

Technical barriers to trade (TBT) are widely utilized government administrative measures for environmental protection, safety, national security, and consumer interests, which have increasing impact on international trade. The wide use of TBT is for a variety of reasons. First, TBT are legitimate. World Trade Organisation (WTO) members are authorized by WTO TBT/SPS Agreement to take such measures to protect human health as well as animal and plant health, provided that the enforced measures are not disguised protectionism. Second, the increasing income of an importing country and consumer preference may result in a higher demand for product quality, safety, and environment protection. Third, as trade liberalization becomes more complex, it has become more difficult to use traditional trade protectionist measures to protect domestic industries. Thus, TBT have been used (or misused) to substitute for tariffs and other non-tariff barriers to trade. Unlike tariffs and other non-tariff barriers (NTBs), TBT can promote trade or restrict trade. TBT promote trade by providing consumers of importing countries with confidence on the quality, safety, and other health related concerns of the imported products. On the other hand, governments of importing countries can use TBT to restrict imports even if the import products are safe and meet the standard imposed. Facing

potential examination harassment under TBT, importers and exporters are discouraged to carry out their trade. Given the proliferation of TBT and their theoretical complexity, the OECD has suggested more

empirical research on TBT with a view that quantitative analysis is an important step in the regulatory reform process and can help inform governments in defining more efficient regulations. However, due to their theoretical complexity.

## Research Methodology

In this study descriptive research based one and the data used here is secondary data from various web link, trade journals and magazines.

## Review literature

Today's Trade Landscape: The Proliferation of Standards and Technical Barriers to Trade: Standards and technical barriers to trade (TBT) have in recent years become a leading factor in determining global trade patterns. Technical regulations and standards specify product characteristics and production methods and can include terminology, symbols, packaging, marking, and labeling requirements. A standard is a document approved by a recognized body that sets out rules and guidelines for product characteristics and production methods. The number of TBT notifications to the WTO has increased from 390 in 1995 to 1,769 in 2011 (see figure 1). This increase is attributable in part to the decrease of traditional trade barriers such as tariffs, as well as the success of multilateral trade negotiations (see figure 2). It is also attributable to changes in global business structure, mainly the increasing complexity of global value chains, the increased participation of emerging markets in global trade regimes, and the growing importance of

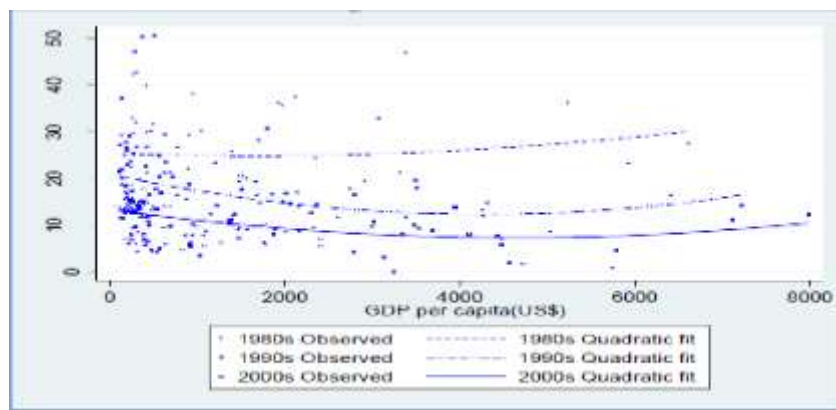
consumer concerns in richer countries.

Source: WTO, G/TBT/29

Figure 2: Tariffs have steadily fallen across all countries, low-income to high-income alike

Figure 1 Number of TBT Notifications to the WTO





Source: Mattoo and Neagu 2011

The Role and Rationale for Standards and TBT Standards and TBT are often used to achieve public policy objectives, including correcting information asymmetries, addressing imperfect competition structures, and protecting domestic industries. Standards and TBT-related measures can enhance trade by helping to manage the flow of product -related information through complex and increasingly global supply chains (USTR 2011). They also ensure global suppliers can effectively work together by ensuring inputs are compatible and connected. In this sense TBTs help organize manufacturing and other related processing around minimum levels of standards and processing mechanisms. In addition, because TBTs set minimum quality levels, they help ensure product safety and thus act as an important protection of public health. Standards and TBT can also be used to manipulate terms of trade by protecting domestic producers. This usually occurs by imposing overly burdensome technical requirements on foreign firms. This deters key players from entering industries, stifles innovation, and increases the overall cost of trade. The temptation to impose burdensome standards and TBT may be more pronounced as traditional tariff barriers fall as countries commit to bilateral and multilateral trade agreements. Given that standards and NBT can either enhance or hinder trade, how do we ensure that stand ard-related measures facilitate innovation and competition without creating unnecessary trade costs and rocedures (USTR 2011)?

WTO Technical Barriers to Trade Agreement: The WTO agreement on technical barriers to trade (TBT agreement) was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade . It contains a comprehensive set of obligations for WTO members on the development and use of standards and TBTs. It exists to ensure that technical regulations, standards, testing, and certification procedures do not create unnecessary obstacles to trade. Key principles in the TBT agreement include non-discrimination (most favored nation rule binds countries' technical requirements), relying on international standards to Adopt common sets of standards across regions, and accepting technical regulations in foreign markets as equivalent to member systems (when appropriate). The agreement also requires each WTO member to notify of proposed technical regulations and conformity assessment procedures to the WTO so that other Members may comment on them in writing. Similarly, members are encouraged to report TBT specific concerns to the WTO. In 2010 there were 1,419 new or amended technical regulations and conformity assessments sent to the WTO.

The Trade Effects of Non-Tariff Measures A number of studies have attempted to quantify the effects of non-

tariff measures on international trade by estimating an “ad-valorem tariff” equivalent (AVE).-tariff measures econometrically for each of the 575 six-digit categories of the Harmonized System (HS) of classifying goods where at least one country imposes what they categorize as a core non-tariff measure. These nontariff measures include price controls measures, quantitative restrictions, monopolistic measures and technical regulations. They estimate the average AVE of core non-tariff measures for the entire sample at 12 per cent.

## Conclusion

From this article clearly exhibit there is lot of technical barriers to the industries especially in small and medium scale industries. The application of product regulations and standards is becoming increasingly contentious as an implicit non-tariff barrier to trade. Many developing countries express rising frustration with regulations that vary across their export markets, require duplicative conformity procedures, and seem to change capriciously in order to exclude imports. Some developed countries are adopting MRAs that may lower costs for their trading firms but could result in greater discrimination against countries that do not belong to them. Substantial anecdotal evidence suggests that compliance costs with regulations can be high in relation to the value of products, which could deter entry into export markets altogether.

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