

The Hidden Barriers

WILLIAM ROBERTS

ALTHOUGH tariffs are undoubtedly still a formidable barrier to international trade, they have been diminishing as the principal impediment. The reason for this is that they are being superseded by non-tariff barriers. In a way, this shift in emphasis may appear as a drift towards freer trade but we must not delude ourselves for though they are not as rigid as tariffs, non-tariff barriers are still quite formidable.

In an article that appeared in a recent edition of the *EFTA Bulletin*, R. W. Middleton traced the historical emergence of these "new" barriers and examined those that come under the heading of "technical specifications" and described the effects they can have on exporters.

According to Mr. Middleton the emphasis from tariffs to non-tariffs was changed by three events which occurred between 1966 and 1968. "On December 31, 1966, EFTA completed its programme for the abolition of tariffs on industrial goods traded between its member countries. On June 30, 1967, the Kennedy Round negotiations in the GATT came to a successful conclusion, involving average tariff cuts of about 35 per cent in manufactures traded between the industrialised member countries. And on June 30, 1968, the European Community completed its Customs Union, involving the abolition of tariff barriers on trade between the six member states." He continues with an historical analysis of their emergence noting that it was a little time before

non-tariff barriers were considered in any depth, from which we may deduce that countries were rather wary of breaking with tradition.

At present, "industrial standards" or what could be more accurately defined as "technical specifications" are being seriously examined as actual or potential non-tariff trade barriers in GATT, EEC and EFTA "of which" Mr. Middleton says, "only a few, and in different ways, have a direct trade hampering effect." There are two types of technical specifications, "voluntary" and "compulsory."

The "voluntary standards" have the following aims:

(1) to establish standard nomenclature, symbols and definitions for products, parts, materials, etc.

(2) to establish standard methods of measurement, evaluation and test.

(3) to reduce variety and to agree on standard dimensions, tolerance and series.

Being "voluntary" these specifications do not represent any real trade barriers for as Mr. Middleton points out "there is no legislative obligation on the manufacturer to comply with such standards." Nevertheless there are strong reasons for industry to adopt and apply them.

The author says that "in general, trade barriers are caused only by those technical specifications which are compulsory *de jure* or *de facto*, although it could be argued that the mere existence of a body of established technical practice in one country, even though voluntary,

creates difficulty for the sale of products where different practices exist.

The effects of compulsory technical specifications on the free flow of goods between nations may be of two sorts: "divergences between national specifications and those arising from any certification and approval procedures as may exist for the enforcement of the specifications."

Concerning the first sort Mr. Middleton believes that divergences distort competitive conditions rather than impede international trade: "a manufacturer serving only his national market can adjust his production to a single technical specification, thereby gaining economies of scale. Such economies are denied the exporter who has, as long as there is divergence, to adjust his production to the specification of each individual market he serves."

On the other hand the author believes that certification and approval requirements may exercise their effect on trade in two ways. "Firstly, the requirement that a foreign exporter obtains for his products a certificate or mark of

conformity from a body in the importing country will normally necessitate either the shipment of a sample or samples of his production to that country for inspection and testing, or visits by inspectors from the importing country for the purpose of carrying out inspections and tests in his factory. Even if the fees for the inspections and tests are not deliberately discriminatory it is obvious that the exporter is at a competitive disadvantage compared with the manufacturer serving his national market."

"Secondly, a direct trade barrier may be caused if the body responsible for certification and approval acts in such a way as actually to prevent or hamper the access of foreign goods to the country in

which it operates." For example the body can refuse to certify foreign goods, charge prohibitive fees for testing foreign products or it can deliberately delay the granting of its certificate or mark of conformity.

Non-tariff barriers must not be underestimated in their hindering effect on international trade; they show signs of being the outposts in a world dotted with customs unions.