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Measurement of Nontariff Barriers

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I. Introduction

Because tariffs on imports of manufactures have been reduced to relatively low levels in the major industrialized countries especially as the result of the periodic rounds of multilateral trade negotiations, there has been increasing interest in the extent to which existing nontariff barriers (NTBs) may distort and restrict international trade. In order to address the issues involving the use and impacts of NTBs, it is self-evident that accurate and reliable measures are needed. In this study, we will assess currently available methods for quantifying NTBs and make recommendations as to those methods that can be most effectively employed. We will focus both on the conceptual issues arising in the measurement of the different types of NTBs and on the applied research that has been carried out in studies prepared by country members of the OECD Pilot Group and others seeking to quantify NTBs.

In considering NTBs, it is interesting to ask why governments may prefer them over tariffs. While there may not be a single answer to this, Deardorff (1987) suggests some possible explanations that include: institutional constraints such as are built into the GATT/WTO rules and into national constitutions that limit the use of tariffs; the roles of firms and workers in influencing the choice of policies; considerations of reaction to or retaliation against the policies of trading partners; and uncertainty about the ways in which different policies may perform. Deardorff favors the last of these explanations insofar as governments perceive that tariffs will not work effectively in reducing imports. That is, if the object is to assist firms and workers who purportedly are being injured by imports, he shows that only an explicit quantitative (nontariff) restriction can be relied on to do the job in an

uncertain world. In any event, whatever the motivations of governments may be, we will take the presence of NTBs for granted and not try to determine the circumstances in which they are in fact used.

In what follows, we present in Section II a typology of NTBs, and we discuss some of their salient economic characteristics. Section III considers the conceptual aspects and selected applications of *general* methods for measuring the presence and size of NTBs as well as *special purpose* and *specific* methods that are applicable to the most commonly used NTBs. In Section IV, we provide an overview and assessment of the methods and numerical results of the measurement of NTBs drawn mainly from the OECD Pilot Group studies, and we highlight the major lessons to be drawn from these studies. In Section V, we conclude by presenting our own guidelines for measuring NTBs, followed by detailed recommendations of procedures to be used in individual cases and under specific assumptions. An annotated listing of the major categories of NTBs and related policies is contained in Appendix 1. Illustrative measures of the components of the nominal and effective rates of assistance are provided in Appendix 2. Algebraic formulas pertinent to the recommended procedures for measuring particular NTBs under varying assumptions are presented and motivated in Appendix 3.