[SS (DEAP) : 3/94]

FOR RESTRICTED CIRCULATION

RBI STAFF STUDIES

BARRIERS TO INTERNATIONAL TRADE

DAVID L. SINATE

MAY 1994

NT OF ECONOMIC ANALYSIS AND POLICY
BOMBAY

BARRIERS TO INTERNATI(

David L. Sinate *

The post-war global economic scenario was characterised by a robust economic growth associated with faster growth rates of international trade flows. The latter was, however, mainly the consequence of the developed market-economy countries' attempts at liberalisation of trade based principally on the dismantling of tariff restrictions. This trend persisted till the early seventies. Since then, despite general advocacy by Governments of an improved, strengthened and expanding liberal trade regime and further liberalisation efforts, protectionism and other forms of trade intervention have tended to increase. This tendency was further aggravated in the wake of the 1981-82 recession.

There was, however, a change in global economic setting during the period following the recession of the early eighties. The decade witnessed a sustained expansion of output and trade and a further integration of the world economy. The period was marked by a renewed focus on market principles as the means of achieving greater efficiency in resource use and higher economic growth. Domestic policies were reoriented to strengthen market mechanisms and to achieve greater flexibility in output and factor markets. Despite this, the recovery of the eighties has failed to trigger a generalised move to roll back or to bring about a standstill in protectionism.

Against this background, there has been an increasing assertion by the developed market-economy countries that the developing countries as a group receive differential and more favourable treatment in respect of international trade. However, detailed analyses of protectionist regimes seem to indicate the opposite. It has been observed that developed market-economy countries have frequently adopted measures to resolve trade frictions which have been directed disproportionately against developing countries, particularly against the major exporters of manufactures. There is evidence that, in a number of developed countries, the treatment meted out to the developing countries as a whole has been less favourable than that accorded to the developed countries. Official trade intervention has affected a larger part of non-fuel imports into developed market-economy countries originating from developing countries than of such imports originating from other developed market-economy countries. Protectionist measures have tended to be concentrated on products of special export interest to developing countries. Most of the measures were in the nature of non-tariff restrictions, since tariff imposts cannot be made outside the General Agreement on Tariffs and Trade (GATT) framework and could, in any way, invite public criticism. Non-tariff barriers (NTBs), on the other hand, could be opaque and non-transparent. They could also be utilised to effectively challenge the effectiveness of the trade policies of the trading partners, depending upon the economic position of the country concerned in the global economy.

* The author is Research officer, Division of International Trade, Department of Economic Analysis and Policy. The views expressed here are the author's personal views.

Against this backdrop, an attempt has been made in this study to have a look at the genesis of the new wave of protectionism, the causes and proliferation of non-tariff barriers, and the implication of the rising protectionism on the world trading system with particular emphasis on the developing countries, especially India. The study is organized as follows. Section I gives an account of the new protectionist measures, especially non-tariff measures, imposed in the Developed Market-Economy Countries (DMEs). Section II attempts to identify the trade barriers facing India's exports. Section III draws conclusions and investigates the need for strengthening existing regulatory provisions as precedent to healthy trading environment.

SECTION I : THE NEW PROTECTIONISM

Trade actions by DMEs in recent years demonstrate that countries which undertook them resorted to a variety of instruments, with the result the methods of restriction have become increasingly adhoc, piecemeal, complex, and sophisticated. It is, therefore, difficult to document fully the growing use of the numerous NTBs that have been used to restrict imports. For the sake of convenience, a selective approach has had to be adopted here, focussing on the measures adopted by the principal industrial countries (Canada, the EEC, Japan and the USA) that are also the major world traders, on the premise that trade actions of these countries have the greatest impact on international trade.

The trade actions by the DMEs, so far, have tended to be concentrated in certain industrial sectors - such as textiles and clothing, footwear, steel, ship building, and a variety of other manufactures, especially consumer electrical goods, although several other products, including food articles, have also been affected.

Various types of trade restrictions that have been put into effect by the developed countries may be grouped into two broad categories :

(1) **Measures under GATT Regulations** (restrictions within the GATT framework),

(2) **Measures under National Legislation** (restrictions outside the GATT framework).

Of these, the second type, viz., restraints outside the GATT framework have proliferated in recent years.

(1) **Measures under GATT Regulations :**

There are adequate provisions under the GATT framework that encourage an importing country, under certain circumstances, to resort to restrictive measures subject to the condition that these measures would be resorted to strictly for a limited period. Also, it is expected of the country, resorting to these measures, to start a process of consultations with other trading partners. In this regard, the most frequently used Articles are the following.

Under Article VI, the GATT provides that importing countries may take compensating actions against trading partners found to be dumping goods in their markets (thus involving imposition of anti-dumping actions) or expanding sales through subsidisation of their exports (thus involving imposition of countervailing duties).

Article XVIII of the GATT framework is to be used in special circumstances relating to the Balance-of-Payments difficulties. During the 'fifties and 'sixties, this was quite frequently used.

Perhaps the most important clause from the point of view of enhanced use of protection, and more particularly NTBs, is Article XIX (the 'escape clause' provision contained in the GATT framework). In order to provide safeguards against injurious import competition resulting from the unforeseen development and the effect of the obligations incurred by an importing country under the GATT, it authorises the importing country to suspend temporarily, or to reverse, its trade policy under its Article XIX. The importing country may introduce tariff or non-tariff restrictions on affected imports under certain narrowly circumscribed situations 'for such time as may be necessary' to remedy the problem.

As Tables 1 & 2 indicate, recourse to these escape clauses became increasingly common in the 1970s and later, as the principal DMEs invoked these protectionist options frequently, as is evident from below.

Table 1 : Industrial Country Imports Subject to "Hard-core" NTBs, 1981 and 1986

(In percent)

Importer	Sources of imports			
	Industrial countries		Developing countries	
	1981	1986	1981	1986
EC	10	13	22	23
Japan	29	29	22	22
United States	9	15	14	17
All Industrial Countries	13	16	19	21

Note : "Hard-core" NTBs represent a sub-group of all possible NTBs. They are the ones most likely to have significant restrictive effects. "Hard-core" NTBs include import prohibitions, quantitative restrictions, voluntary export restraints, variable levies, MFA restrictions and non-automatic licensing.

Source World Bank, (1987).

Table 2 : **Summary of Export Restraint Arrangements by Product and Importing Country, End - March 1989**

Industry	EFTA	Canada	EC	Japan	US	Others	Total
Steel	1	-	14	-	35	-	50
Machine tools	-	-	4	-	10	-	14
Electronics	-	-	25	-	3	-	28
Footwear	-	2	15	-	1	-	18
Textiles	12	8	27	6	13	-	66
Agriculture	4	1	36	5	2	3	51
Automobiles	1	1	17	-	1	-	20
Others	1	-	35	2	4	-	42
Total	19	12	173	13	69	3	289

Source M. Kelly et. al., (1992).

Trade policy measures which are applied by **the USA** across-the-board, are safeguard measures and, particularly, anti-dumping and countervailing duty measures (under GATT Article VI). Under Section 201 of the Trade Act of 1974 (based on GATT Article XIX), import relief may be granted to industries which suffer injury because of rapidly increasing imports, although these may have been neither subsidised nor dumped.

Japan has resorted to various import quotas in respect of a number of 'non-liberalised' items such as minerals, industrial products, etc. For the purpose of imposing these quotas, Japan has invoked various GATT Articles of which the prominent ones are Articles XVII and XX.

The EEC has generally resorted to anti-dumping and countervailing duty actions as well as safeguard actions. Protection against dumped or subsidised imports is provided by Regulation (EEC) 2423/88. Community and member states of the EEC are empowered to impose safeguard measures under Regulation 288/82 ' on common rules for imports'. Certain restrictions are in effect under GATT Article XIX.

Non-tariff barriers

US trade restrictions, including non-tariff barriers, are imposed directly by the US Congress or by agencies designated by Congress to regulate trade. Textile and clothing imports have been regulated for the last 25 years under various bilateral agreements, and currently under the Multi-fibre Arrangement (MFA). The US steel industry has benefited from escape clause actions in the form of duty increases and global quotas on certain specified steel products. Other major items on which import restrictions have been imposed are non-rubber footwear, leather hand bags, garments and dairy products (global import quotas). In addition, import restrictions exist on a large number of items which are relatively minor to the US economy but which are of substantial export interest to less developed countries including India. These include prohibitive tariffs and global quotas on such items as alcohol and sugar, agricultural implements, cast iron connections, bicycle tyres and tubes, and industrial fasteners.

Under the MFA, textiles and garments are regulated according to 41 US tariff categories. There is an overall ceiling for all products and individual ceilings for individual products. Other major trade barriers imposed in the form of special customs and entry procedures exist for rice, fruits and vegetables, leather and leather garments and footwear.

The European Economic Community enforces the following NTBs. The major non-tariff barriers are quotas enforced under the MFA covering textile exports and ceilings applicable to GSP exports. Besides this, leather manufactures are also subject to non-tariff restrictions. Certain selected agricultural products are subject to variable levies.

SECTION II : INDIA'S FOREIGN TRADE AND THE TRADE BARRIERS FACING INDIA'S EXPORTS

Tariffs

India's exports to developed market economies do not suffer unduly from tariff barriers. With the culmination of the Tokyo Round (1979), the average tariff rates in developed economies had been only around 7 per cent. Although rate variations exist, India's principal exports to DMEs generally belong to product groups which do not attract high tariffs. However, India suffers to a certain extent in comparison with other developing countries which have special trading arrangement with the EEC (the African, Caribbean and Pacific countries- the ACP countries) and those which enjoy preferential treatment due to their least developed status. Nevertheless, it could be said that tariffs on India's exports are not unduly high, as may be seen from the following.

Let us take India's primary exports first. Exports of unroasted coffee to EEC attracts only 5 per cent duty (EEC absorbs around 20 per cent of India's total coffee exports). As regards tobacco, the EEC imposes a conventional duty of 14 per cent on imports of unmanufactured tobacco, but under the GSP Scheme Indian tobacco exports are charged a duty of 7 per cent. Japan, the principal destination of Indian marine product exports, imposes a 4 per cent duty and a 5 per cent duty on imports of cuttle fish while the EEC and Australia charge duties of 6.5 per cent and A $ 0.17 per kg, respectively. Apart from these products, other primary products such as iron ore, oil cakes, cashew kernels, etc., generally do not attract duties in the developed countries' markets. It may be noted, however, that most of India's agricultural exports consist of tropical agro-products for which tariff duties were lowered following the Tokyo Round. India has been having exports of temperate products such as wheat and maize among cereals and apples among fruits. Here, the EEC's agricultural policies including variable levies are likely to pose stiff barriers to future export expansion.

Manufactured goods exports from India too do not suffer unduly from tariff barriers in the developed countries' markets. Apart from leather and leather manufactures, jute and jute manufactures, carpets, machinery and transport equipment and readymade garments, other principal manufactured exports such as chemicals and allied products, cotton fabrics, gems and jewellery, etc., are allowed duty free under the GSP Scheme. In the USA and the EEC, GSP benefits extend to leather and leather manufactures also. However, leather manufactures especially leather garments and footwear attract 11 per cent duty in these markets beyond GSP ceilings. If India succeeds in her efforts to raise unit values of her leather exports, these duties would constrain export expansion. Jute and jute manufactures attract a conventional duty of 17 per cent in the EEC for carpet backings and 5 per cent in the USA while machinery and transport equipment particularly commercial vehicles attract a duty of 30 per cent in Spain, 9 per cent in Denmark, 15 per cent in Australia and 22 per cent in Canada.

As regards carpet exports, both the USA and the EEC markets have GSP Schemes, but the USA Scheme effectively excludes Indian exports. In the EEC too, India far surpasses her GSP limits and 80 per cent of carpets exports attract conventional tariff duties which are as high as 18 to 21 per cent (depending on quality) and in the USA approximately 6 per cent. While these duties do not affect India adversely because they are similar for her competitors, they do put these carpet exports at a price disadvantage vis-a-vis other substitutes especially synthetic fibre carpets.

India's readymade garment exports attracted high tariff rates in all markets even before they were brought under the strict bilateral quantity quotas prevalent today (the MFA). In the EEC, a tariff duty of 16.5 per cent was charged beyond the GSP limits which applied primarily to handloom based garments, while in the USA a duty of 13.4 per cent was charged and in Japan the rate is 7 per cent which is a preferential rate under the GSP Scheme.

To list, it could be said that for a majority of India's exports, tariffs do not pose a serious threat to future expansion of India's exports. However, India could soon face high tariffs in temperate zone agro-products in many developed countries. For the other manufactured exports, India faces either low tariff duties in developed economies or other barriers more binding than tariffs. For India as well as other developing countries, the real threat comes from the NTBs imposed by the developed countries.

Non-Tariff Barriers

Although NTBs are resorted to initially to provide some breathing space and effect structural changes, they tend to become permanent measures for non-competitive market-sharing arrangements. As the decade of the 1970s and recent years have demonstrated, rather than gradually eroding, the coverage of NTBs has expanded and their intensity strengthened. Today an increasing number of sectors are affected by them and these range from simple primary products to technologically advanced and sophisticated products. By 1991, the incidence of NTBs imposed by the developed countries on their imports had increased to around $ 223 billion from $ 197 billion in 1981 ; a rise of $ 26 billion in a decade [1]. In effect, the positive gains of the Tokyo Round have been nullified to a large and significant extent by the spate of NTBs in recent years.

In what follows, NTBs imposed by developed countries on India's principal exports will be discussed.

USA - Trade restrictions including NTBs in the USA are directly imposed by the US Congress or by agencies designated by the Congress to regulate trade. Many trade restrictions are imposed through administrative mechanisms such as escape clause actions, less than fair value regulations, and anti-dumping and countervailing provisions of applicable US trade laws. In the US markets, marine products face stringent health requirements which include a test for bacteria control and this impedes exports of shrimps and prawns, while cashew kernels also face similar health and sanitary regulations which, according to the Cashew Export Promotion Council, impede exports as they are inconsistent with either the natural qualities of Indian product or require processes which may not be undertaken in India. Textiles and clothing imports have also been regulated for the past 25 years under the various bilateral arrangements and currently the MFA. Under the MFA, textiles and garments are regulated according to 41 tariff categories under which there is an overall ceiling for all products and individual ceilings for individual products.

The US steel industry has benefited from escape clause actions in the form of duty increases and global quotas on certain specified steel products. Other major items on which import-restrictions (global import quotas) have been imposed are non-rubber footwear, leather hand bags, garments and dairy products. In addition, import restrictions exist on a large number of items that are relatively minor to the US economy but which are of substantial export interest to LDCs like India. These include prohibitive tariffs and global quotas on such items as alcohols and sugar, agricultural implements, cast iron connections, bicycle tyres and tubes, and industrial fasteners. Other major barriers are import quotas on cotton fabrics and leather and leather manufactures. NTBs in the form of special customs and entry procedures also restrict imports.

1. UNCTAD (1993).

JAPAN - NTBs in Japan exist in the form of quantitative restrictions for 22 major domestically produced agricultural commodities. Import quotas now cover mainly meat, certain milk and milk products, citrus fruits, wheat, rice and barley. Quota limits are also imposed on chemicals and allied products such as nicotine sulphate, menthol, soaps and organic sulphate agents. Many leather and leather manufactures which include lamb skin leather, bovine leather, goat and kid leather, and footwear were also subjected to quota limits which were subsequently converted into tariffs. In addition to these formal barriers, Japan's food distribution system is sometimes considered an informal barrier to greater imports. Most food products are distributed to consumers through long intermediary chains bound closely to traditional domestic sources of supply. Procedures for issuing licences for imports subject to quantitative restrictions have also been said to be restrictive. Further, coffee imports are subject to stiff health regulations and quality standards. As regards industrial products, while no formal quotas exist on imports of such products, the system of "guidance" applied by the Ministry of Trade and Industry (MITI) together with an import monitoring system used in part for the application of ceilings under the GSP ensures a highly effective system of NTBs against industrial imports.

EEC - Despite reductions in tariff barriers, the EC market is still subject to many NTBs and regulations that restrict imports especially from the developing countries. The share of the EC's imports from developing countries subject to hard core NTBs rose from 22 to 23 per cent between 1981 and 1986. Moreover, the NTB coverage of imports from developing countries is higher in the EC than in other major industrial areas. In terms of non-tariff instruments, the EC has a strong preference for Voluntary Export Restraints (VERs) and anti-dumping procedures; it accounts for nearly thirty five per cent of all VERs known to exist worldwide. Of the 207 VERs in existence at the end of 1986, for example, 70 were enforced by the EC. These VERs are mostly directed against imports from the developing countries and cover mainly agricultural and food products, textiles and clothing (outside quotas under the MFA), steel, electronics, automobiles and footwear. Between 1971 and 1986, 350 anti-dumping measures were initiated in the EC and 226 were actually adopted, while price monitoring (anti-dumping and countervailing duties) procedures plus safeguard actions increased from 102 in 1976-80 to 127 in 1981-85 [1]. The EC also extensively uses administrative controls including import licensing to monitor imports and to enforce quantitative import restrictions, as well as variable levies on imports of agricultural products.

India's exports of coffee to the EC are subject to internal taxes while tobacco exports require a certificate of authenticity which identifies the variety of tobacco being exported. As regards chemicals and allied products, the EC is one of the major markets for India's exports. In some cases, anti-dumping and variable levies on these exports have been imposed. The EC also imposed global quotas on India's exports of leather and leather manufactures especially leather shoes which subsequently were converted into a ceiling. Although India's leather exports to the EC have not reached

---

1. Enzio G. and E. Sasson, (ed), (1990).

the ceiling, there is a restriction on Indian export expansion in another sense. Quotas for countries like South Korea, Brazil, etc., have been fixed on past performance and account for a sizeable share of global imports which are allowed into the EC's markets. These country quotas do not leave sufficient scope for countries like India which is attempting to expand exports of high unit value leather goods. Further, the EC imposes import quotas on imports of cotton fabrics from India, and Indian apparel exports to the EC are subject to quota restrictions under the MFA which has become extremely stringent and restrictive with the conclusion of the MFA-IV.

CANADA - Canada relies mainly on border measures to protect selected industries, including textiles and clothing, footwear, automobiles, and ship building. Tariffs on textiles and clothing are at least twice the average for all industrial products, and the bilateral restraint arrangements are generally more restrictive than those under previous MFAs. Imports of certain categories of footwear are subject to global quotas, and restrain arrangements covering categories not covered by the quota have also been negotiated. Although sector-specific assistance to industry through non-border measures (such as subsidies) has been de-emphasised in recent years, the Government continues to provide considerable support to sectors like ship building through subsidies and governmental procurement policies. For India, the major NTBs faced in the Canadian markets are anti-dumping duties and arbitrary customs valuation which have restrained India's exports especially of caustic soda and caustic potash. Further, Indian apparel exports to Canada are restrained under the MFA.

Since 1974, trade in textiles has been regulated under the MFA. And the countries that impose quota restrictions under the MFA include the EEC, the USA, Norway, Sweden, Finland, Austria and Canada (Tables 3 & 4). Since the late 'seventies, the share of these countries in India's total garment exports has remained at about 75 per cent. Except for Norway, Finland, Austria and Canada, garment exports to these countries are comprehensively covered by the quota regime. The other major markets are Australia, Japan, Hungary, Switzerland and the USSR. Except in the case of USA, Sweden and Canada, the quotas set for such exports have generally not been fulfilled, performance in terms of quota utilisation has also improved since the early 1980s, and such a scenario would make it appear that quotas do not impose a binding constraint on garment exports from India. Further, quota ceilings are raised every year by a fixed percentage and are renegotiated in successive rounds of the MFA. These increases, it could be argued, provide sufficient scope for export expansion especially when quotas remain unfulfilled. Such an argument, however, does not reflect the true scenario as aggregate country quota utilisation levels, let alone utilisation rates for all quota countries taken together, do not reveal the real constraint on exports and as such the impact of quota on export expansion is not limited merely to the quantitative limits they impose on exports of individual category of garments. This is because of the extremely disaggregated level at which quotas are specified and administered. Each country specialises in and has comparative advantage for a specific number of garment categories and every individual country, therefore, can rarely be expected to export the entire range of garments equally successfully.

Table 3 : **Textile and Clothing : Non-tariff Barrier to Trade**

Period	Agreement	Outcome
1957-62	Japanese VER with the United States	Restricted export of cotton, textiles and apparel
1961	"Short term agreement", nineteen countries	Importing country is allowed to unilaterally impose a quota if exporting country does not come up with an acceptable proposal of VER
1962-73	"Long term agreement", nineteen countries	Renewal of short term agreement plus restrictions on cotton textiles must be compatible with annual export growth of at least five per cent for each exporting country.
1971	Japan, Hongkong, Taiwan province of China, and South Korea voluntarily restrain their exports to the United States.	The combined restrictions from long term agreement and their additional country-specific VERs restrict US imports from a total of 37 countries.
1974-77	Multifibre Arrangement (MFA) I	Bilateral agreements; more fibres subject to restraint; six per cent annual export growth is allowed.
1978-81	MFA II	Further restrictions and entrance of European countries in the agreement.
1982-86	MFA III	New restrictions with unilateral quotas allowed in some cases.
1986-91	MFA IV	Agreement is expanded to include silk blends and vegetable fibres.

Source M. Kelly et. al., (1992).

Table 4 : Textile and Clothing : Bilateral Agreements under Article IV of the MFA Maintained in early 1988

Importing country	Exporting country or area
Austria	China, Hongkong, India, Korea and Macao
Canada	Bangladesh, Brazil, China, Hongkong, Hungary, India, Indonesia, Korea, Macao, Pakistan, Philippines, Poland, Singapore, Sri Lanka, Thailand, Turkey and Uruguay
European Community	Argentina, Bangladesh, Brazil, China, Czechoslovakia, Hongkong, Hungary, India Indonesia, Korea, Macao, Malaysia, Pakistan, Peru, Philippines, Poland Romania, Singapore, Sri Lanka, Thailand, and Uruguay
Finland	Hongkong, India, Korea, Macao, Romania, Sri Lanka and Thailand
Norway	Czechoslovakia, Hongkong, Hungary, India, Korea and Poland
United States	Bangladesh, Brazil, China, Colombia, Costa Rica, Czechoslovakia, Egypt, Guatemala, Hongkong, Hungary, India, Indonesia, Jamaica, Japan, Korea, Macao, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Singapore, Sri Lanka, Thailand, Turkey, Uruguay and Yugoslavia

Source M. Kelly et. al., (1988).

Thus, for India, even though some individual garment categories quotas in individual importing countries are not fulfilled, for the four major garment products, viz., blouses and shirts, dresses, skirts, and trousers, which constitute about 70 per cent of India's apparel exports, quotas have been a binding constraint on export expansion. This is especially true for India's exports to the USA where the constraint is further intensified by the ceiling imposed on total volume of garments which could be exported from India. Once this ceiling is reached all garment exports to the US are stopped regardless of whether individual garment quotas are fulfilled. To this extent, therefore, even the quota utilisation levels in individual garment categories do not fully reveal the restrictive impact of the quotas. Such quotas have prevented the Indian industry from taking full advantage of its competitiveness and consumer preference for its cotton-based garments. This is also true of Indian garment exports to Canada and Sweden.

As a result of these quota constraints, primarily in the US, Indian exporters have diversified their exports to non-quota countries. Japan and Australia have in recent years emerged as strong markets - their combined share in India's apparel exports have increased from 4.5 per cent in 1980-81 to 4.9 per cent in 1989-90 and further to 5.5 per cent in 1991-92. The diversification helps the exporter to maintain his product line rather than shift to garment categories where he is unsure of market response and lacks the experience. Besides, faced with constraints, most firms have shifted not only to non-quota markets but also to exports of products where quotas are not binding. Further, quotas have led to the emergence of high rental incomes and speculation in the industry, loss of sales, changes in product specialisation, loss of employment, shift to foreign location and aggravation of uncertainty. One of the emotive arguments against permitting imports from developing countries has been that they are produced by "sweat-shop" labour. The quota regime has ensured, however, that the working conditions in the industry do not improve. Apart from these adverse impacts, perhaps the greatest threat comes from the "noise" they create which is often enough to drive out exporters and induce a fall in exports. The uncertainty this noise creates has an adverse impact on capacity creation and investment in the industry, preventing thereby the building up of export capability and also preventing potential exporters from entering the market. Thus, potential export opportunities may never be exploited.

India must raise its export earnings substantially to be able to pay for its critical imports necessary for achieving the established objectives of development. Expansion of exports is also required for India to exploit successfully both its natural and evolving comparative advantages, viz., through greater integration with the world economy and in the international division of labour. The debt crises faced by a number of LDCs and the marked reduction in both bilateral and multilateral flows of concessional finance have demonstrated unequivocally that India cannot depend solely on external financing for its investment and import requirements. To be able to raise its export earnings, India, like other developing countries, requires an external environment that encourages the expansion of international trade and the emergence of integrated world markets. In particular, trade restrictions and distortions in world markets impose serious constraints on the country's ability to expand its exports.

SECTION III : CONCLUSIONS

An open trading system is a key to sustained industrial expansion. In such a system, scope of enterprises is not restricted to narrow domestic markets, but can expand to sell goods and services around the world.

As discussed, the share of trade that is transparent and non-discriminatory is shrinking. The international economic order has shown signs of weakening under the strains of stagnating growth and the need to adjust to international indebtedness and structural change. The symptoms of growing disorder show in the increased demand for protection, the shift from tariffs to discriminatory restrictions on trade, and the movement from transparency to opaque protectionist measures such as quotas, VERs and subsidies. With the Developing Countries (DCs) increasing their share in world trade, the danger at this juncture is that the Industrial Countries (ICs) will act in a negative and defensive way towards increased imports from DCs, and this would mean rising trade barriers of the more discriminatory type, i.e., more NTBs more effectively administered. This would further undermine and erode the integrity and credibility of the GATT system and would restrict the growth of DCs exports. The dangers in these trends are that protectionism will increase and that the fundamental principles of the GATT - non-discrimination in trade and transparency in methods of protection - will be abandoned.

Such a breakdown of " the rule of law " is against the interests of all trading nations, but the developing countries would stand to lose most. Many DCs are already heavily in debt, so a reduction in their export earnings would aggravate the problem of world debt. In a world where bilateral arrangements become the norm, developing countries' lack of bargaining strength would place them in a weak position. With limited foreign exchange and facing unusually low commodity prices in the face of higher barriers to their exports, the possible loss of access to markets could lead to a widespread disillusionment with the outward-oriented trade strategies which have proved so successful for the NICs - strategies which other DCs are also following in recent years. This could turn many DCs back towards autarky which could damage their prospects of improved efficiency and growth. In other words, there is a serious risk that increased protection by the ICs will be a set-back to economic development for many years and inflict unnecessary suffering on some of the poor people in the world.

Fortunately, however, the conclusion of the Uruguay Round Multilateral Trade Negotiations on December 15, 1993, has given a hope that international trade order is, after all, not going to break down. The accord has strengthened the rules-based world trading system and domestic gains from cutting national trade barriers would increase. As a result of the accord, it appears at first sight, that the developing countries have given away more than they have received.

A report released by GATT secretariat during November 1993 suggests that developing countries have made substantially greater trade concessions than their developed country partners. India is a case in point. As part of the Uruguay Round negotiations, India has offered to reduce its tariff duty on industrial raw materials, intermediates and capital goods to a level not exceeding 40 percent (albeit from a high level), while the estimated 33 to 40 per cent reductions in global tariffs envisaged by the Uruguay Round would imply a reduction in the average tariff level of the industrial countries from about 5 to 6 per cent to about 3 to 4 per cent.

The Uruguay Round agreement extends fair trade rules for the first time to agriculture, textiles, services, trade-related intellectual property rights (TRIPS) and trade-related investment measures (TRIMS), Tariffs on industrial goods will be cut by over a third and farm exports subsidies and import barriers will be substantially reduced.

It is to be seen how far these understandings will be well understood and implemented. It is also to be seen whether the Uruguay Round outcome will contain the problem posed by NTBs.

BIBLIOGRAPHY

1. Adlung, K. (1990) : "Non-tariff Barriers in the Uruguay Round" in *Intereconomics*, January/February.

2. Asian Development Bank (1988) : Foreign Trade Barriers and Export Growth, Manila.

3. Anjaria, S.J., et. al. (1982) : "Developments in International Trade Policy ", *Occasional Paper 16*, IMF, Washington, D.C., (November).

4. ________________ (1988) : " Trade Policy Issues and Development", *Occasional Paper 38*, IMF, Washington, D.C., (July).

5. Corden, W.M. (1984) : " The Revival of Protectionism, *Occasional Paper 14*, Group of Thirty, New York,

6. ______________ (1987) : " Protection and Liberalisation - A Review of Analytical Issues, *Occasional Paper 54*, IMF, Washington, D.C., (August).

7. Debroy, B. (1991) : " The Uruguay Round - Status Paper on Issues Relevent to the Developing Countries." *Foreign Trade Review, Vol. XXVL, No.3*, (October-December).

8. Enzio G. and E. Sasson, (ed), (1990) : *The New Protectionist Wave*, Macmillan Education Ltd., London.

9. General Agreement on Tariffs and Trade (1991) : *Multilateral Trade Negotiations - The Uruguay Round*, (December).

10. Greenaway, D., et.al.,(ed), (1991) : *Global Protection*, Macmillan Academic and Professional Ltd., London.

11. Greenaway, D.(1983) : *International Trade Policy - From Tariff to the New Protectionism*. The Macmillan Press Ltd., London.

12. Kelly, M.,et.al. (1988) : "Issues and Developments in International Trade Policy, *Occasional Paper 63*, IMF, Washington, D.C., (December).

13. ______________ (1992) : "Issues and Developments in International Trade Policy, *World Economic and Financial Surveys*, IMF, Washington, D.C., (August).

14. Kelkar, V.J. (1978) : "Trends in the New Protectionism - its impact on India", *Foreign Trade Review, Vol XIII, No.2,* (July-September).

15. Neundorfer, K. (1990) : "Textiles and Clothing in the Uruguay Round" *Intereconomics*, (July-August).

16. Nowzad, B. (1978) : The Rise in Protectionism, *Pamphlet Series No. 24*, IMF, Washington, D.C., 1978.

17. Pandey, R.K. : "Growing Protectionism in Developed Market Economy Countries - A critical review" *Foreign Trade Review, Vol. XIII, No.2,* (July-September).

18. Trade Policies for a Better Future (1987) : *'The Leutwiler Report', the GATT and the Uruguay Round*, Martinus Nijhoff publishes, Dorddecht.

19. UNCTAD (March 1990) : *Selected issues on restrictions to trade* - A report by the UNCTAD secretariat., Geneva.

20. ______________ (1993) : *Trade and Development Report*, 1993, United Nations, New York.

21. World Bank (1986) : *World Development Report*, 1986, Oxford University Press, New York.

22. ______________ (1987) : *World Development Report*, 1987, Oxford University Press, New York.