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Measurement of Nontariff Barriers

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Table of Contents

I. Introduction 1

II. Typology and Characteristics of NTBs 2
Typology of NTBs 2
Administrative Procedures and Government Regulations and Policies 4
Market Structure 4
Institutional Factors 5
Characteristics of Nontariff Barriers 6
Conclusion 13

III. Methods of Measurement of Nontariff Barriers 13
General Methods for Measuring the Presence or Size of NTBs 15
Frequency-Type Measures 15
Price-Comparison Measures 17
Quantity-Impact Measures 24
Special Purpose Methods 27
NTB-Specific Methods for Selected NTBs 29
Quotas 30
Variable Levies 36
Voluntary Export Restraints 37
Government Procurement Regulations 39
Domestic Subsidies 43
Domestic Content Requirements 45
Antidumping and Countervailing Duty Measures 46
Customs Valuation Procedures 47
Technical Barriers to Trade 48
Conclusion 49
General Methods for Measuring the Effects of NTBs 50
Effective Rates of Protection (ERPs) and Effective Rates of Assistance (ERAs) 50
Trade Restrictiveness Index (TRI) 51
Applied General Equilibrium (AGE) Model Measures 51

IV. Overview and Assessment of Economy-Wide Estimates of NTBs in Selected OECD Countries 53
Australia 53
Forms of Assistance 53
Price Comparisons 54
Nominal Rates of Assistance 55
Effective Rates of Assistance 55
Domestic Content Requirements 57
Canada 57
Price Comparisons 57
Government Procurement 58
Antidumping Measures 58
Germany 59
Norway 61
Effective Rates of Assistance 61
Clothing Import Quotas/VERs 61

European Union/United Kingdom 62
Antidumping Measures 62
United States 64
Conclusion 65

V. Guideline Principles and Recommended Procedures for Measuring NTBs 67
Principles 67
Recommended Procedures for Measuring NTBs 70
Steps for Measuring NTBs 71

References 78

List of Tables 83

Tables 84

Appendices
1 Major Categories of Nontariff Measures and Related Policies 113
2 Illustrative Measures of the Nominal and Effective Rates of Assistance 117
3 Formulas for Measuring NTBs 123

List of Figures 141

Figures 142

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.