

# The tariff and non-tariff barriers



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What strategic options are open to marketing firms when attempting to deal with the problems of Non-tariff barriers in economically developed and industrialized countries? Choose at least one industrialized country to illustrate the points made.

### Introduction

Tariffs have always played an important role in generating revenue for the country. In most of the under developed countries, tariffs plays an important role in developing the economic policies of the country. For political reasons, tariffs are applied on imports, but sometimes they are also applied on exports. It is generally the easiest form of revenue generations.

When a shipment comes on the border of the country, the custom officers analyze the products and charge tax on it on the basis of the formula. Since the goods cannot enter in the country without the written authorization of the tax authorities, thus it is very easy to collect the duty.

Nowadays the free trade organizations discourage the tariffs applied on the goods. World trade organization (WTO) has played an important role in persuading the countries in reducing the tariffs imposed. But nowadays countries are more focused on the non-tariff trade barriers. These barriers are imposed on countries which do not comply with the guidelines laid down by the world trade organization.

Tariff barriers to trade:

Tariffs are the restrictions imposed by the country on the imports and exports of goods and services. Tariffs have always been used as an

instrument to increase the revenue generation and also to protect the local industry from the foreign competition.

There are different types of tariffs which can be imposed by a country but the most common one are as follows.

**Ad valorem:** it is set on the basis of the percentage of the value of the products being imported in to the country. But sometimes it isn't that useful because if the international price of the commodity decreases, than the tariff applied on it also reduces.

**Specific tariff:** it is the specific amount of money that imposed on a product. Thus if the price of the product decreases than it does not affect the tariff.

**Revenue tariff:** this kind of tariff is imposed specifically to generate revenue for the country. E. g. if a country does not grow coffee, than the government can impose a duty on the import of coffee beans to generate revenue.

**Prohibitive tariff:** this kind of tariff is imposed to restrict the import of a specific product. Usually the tax imposed is so high that it is almost impossible for the companies to import or export the product.

**Protective tariff:** this kind of tariff is imposed to specifically protect the local industries from the foreign influence. All the governments use this option to facilitate the local industries from the foreign competition.

**Environmental tariff:** this kind of tariff is imposed on the imports and exports to the countries which have substandard environmental controls. These kind of tariffs are also known as eco-tariffs or green-tariff

Retaliatory tariff: this kind of tariff is based upon revenge. E. g. if United States impose a tariff on Chinese imports than the China will also impose a tariff on the imports from USA. Sometimes countries use this option to influence the tariffs imposed by other countries.

Non-tariff trade barriers:

Non-tariff trade barriers are the types of barriers which are imposed by a country to restrict the imports but they are not like the usual tariff barriers. Some common examples of the Non-tariff barriers are anti-dumping measures and countervailing duties.

The use of non-tariff barriers have significantly increased over the past few years because of the work done by World Trade Organization (WTO) to reduce the tariff barriers imposed by different countries. Some Non-trade barriers are permitted in limited circumstances, especially when it is required to protect health, safety, sanitation or natural resources. but generally it is criticized because it violates the free trade rules set by the Worlds Trade Organization (WTO), the European Union (EU) and North American Free Trade Agreement (NAFTA).

Examples of Non-tariff Barriers:

The most common examples of non-tariff barriers are as follows.

Ban on imports

General/product specific quotas.

Products standards

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Packaging conditions

Labeling conditions

Rules of origin

Additional trade certificates like Certificate of origin, Certificate of Authenticity.

Dealing with the Non-tariff barriers:

We are living in a very competitive environment. All the companies in the world are working hard to have a competitive edge over each other. Tariff and Non-tariff barriers play an important role in achieving the overall goal of the company in the foreign and domestic market. If a company wants to enter into a foreign market, it has to develop a strategy to enter into the market and makes profit. Governments use the Non-tariff barriers to facilitate the local industry from the foreign competition and also impose duty on their products to generate revenue.

China has been one of the fastest growing economies in the world. For the last three decade, china's economy has grown at approximately 10 percent per year. The main reason of china's success is that it has dramatically penetrated into the foreign market while protecting its local industry. Most of the western countries and independent think-tanks blame china for manipulating with its currency and use cheap labor to boom it exports. China has very strict barriers on imports. A company has to go through very strict procedure to invest into the local market. ([http://www. iie.com/publications/papers/lardy0507. pdf](http://www.iie.com/publications/papers/lardy0507.pdf)).

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China has imposed a lot of Non-trade barriers on the imports from the foreign countries. This has played an important role in developing the local industries. The Chinese government has helped the local industry to improve its efficiency by giving them financial and tax relief. The imports from China have drastically affected the American manufacturing industries. Although the imports from China has significantly increased in US but US exports isn't catching up at the same ratio. This has caused a huge trade deficit between the US and Chinese trade. Now USA has imposed anti dumping tariff on Chinese products.

Recently the US international trade commission has ruled that the Chinese imports are hurting the American firms by selling the oil well pipes at a very low rate. Thus the Chinese steel pipe producers will face anti dumping tariffs of up to 99.14%. This type of tariff barrier is called protectionist barrier. This kind of move can damage the relationship between the countries.

([http://www.e-to-china.com/tariff\\_changes/data\\_tariff\\_changes/2010/0505/78017.html](http://www.e-to-china.com/tariff_changes/data_tariff_changes/2010/0505/78017.html)).

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The request for protection imports have significantly increased during the 2009. Many countries are targeting Chinese producers/exporters and trying to limit the imports from China to help their local industries to grow.

([http://www.e-to-china.com/tariff\\_changes/data\\_tariff\\_changes/2010/0505/78017.html](http://www.e-to-china.com/tariff_changes/data_tariff_changes/2010/0505/78017.html)).

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Conclusion:

To conclude we can say that non-tariff barriers play an important role in the revenue generation of the country. Most of the countries use tariff and Non-tariff barriers to protect their local industries and also to generate revenue. The most common type of Non-tariff trade barrier is protectionist barrier. Governments use this option to protect their local industries from the foreign competition.

Tariff has been used by countries to generate revenue but sometimes it can also be used for political gain. Some countries can use these tariffs to unfairly restrict the imports from certain countries for personal reasons. Thus World Trade Organization played an important role in persuading the member nations to reduce the tariffs.

This move has not only encouraged the trade between the countries but also helped in increasing the friendly relationship.