[**Tariff and Non Tariff Barriers in International Trade**](https://indiaclass.com/tariff-and-non-tariff-barriers-in-international-trade/)

The below said are the Tariff and Non Tariff Barriers in International Trade. In International Business Tariff Barriers are related taxes imposed by Governments to control Import Export of one or more products with a particular country. Non-tariff barriers are government policies and actions other than tariff barriers.

**Tariff and Non-Tariff Trade Barriers**

Some countries adopt an inward-looking approach to foreign trade.

(Inward looking approach: a country should not trade with other nations)

These countries use barriers to protect domestic industries from competition from foreign firms.

**Tariff Barriers**

* Export Tariff Barriers
* Import Tariff Barriers
* Transit Tariff Barriers

**Non Tariff Barriers**

* Quotas
* Subsidies
* **Others**
* Product and Testing Standards
* Embargoes
* Local Content Requirements
* Administrative Delays
* Currency Controls
* **TARIFF BARRIERS**

A tariff is a tax imposed on goods involved in International Trade.

Tariffs may be either ad valorem or specific.

**Ad Valorem Tariffs:** as percentages on values of goods imported.

**Specific Tariffs**: relates to some specific attributes of the goods – weight, quantity, value and the like.

**Compound Tariff**: is calculated partly as a percentage on value and partly as a rate per unit or weight.

**Export Tariff Barriers**

Taxes are imposed on goods when they leave the country

**Import Tariff Barriers**

Taxes are imposed on goods imported.

**Transit Tariff Barriers**

Taxes are imposed on goods as they pass through one country bound for another.

* **NON TARIFF BARRIERS**

Non Tariff Barriers are any government regulation, policy or procedure other than a tariff that has the effect of restricting international trade or affecting overseas investment.

**Quotas**

These are the numerical limits on the number of goods imported into a country during a specific period.

The quantity is mentioned in licence and importer must pay penalty if the quantity of goods imported exceeds the one specified in the licence.

Some countries use Quotas for:

Protection of politically powerful or vulnerable industries, such as agriculture, automobile, textiles etc from the international competition.

**VER**:

VER (Voluntary Export Restraint) is a variant on the import quota.

A VER is a quota on trade imposed by the exporting country, typically at the request of the importing country.

**Subsidies**

A subsidy is a government payment to a domestic producer

For e.g. Cash Grants, low-interest loans, tax breaks, and Government equity participation in local firms.

Subsidies help to the domestic producer in 2 ways:

* To compete against low-cost foreign imports
* To gain access to export markets
* **Other Barriers**

**Embargo**

* The embargo is a government order imposing a trade barrier
* A complete ban on import and export in one or more products with a particular country

Example: India by UK nuclear exports restriction

This is the most restrictive non-tariff trade barrier

Purpose

* To accomplish political goals
* To avoid hurting religious feelings

Example: import of beef into India is prohibited because Hindus shun beef

**Local Content Requirements**

The legal stipulation that a specified amount of a good or service be supplied by producers in the domestic market

The govt of the country may state that local labour, components or other inputs should be used (Partially or full) in the production of goods.

**Purpose**

* To help domestic supplies of components and local labour
* Administrative Delays
* Regulatory controls or bureaucratic rules designed to impair the flow of imports into a country

E.g. requiring international air carriers to land at inconvenient airports, requiring product inspection that

damages the product itself, purposely understaffing customs offices to cause unusual delays and requiring special licences that take a long time to obtain

Environment regulations, health and safety inspections and regulations quarantining, charging taxes and fees for public services that affect the ability of international businesses to compete in host countries

**Objective**

* To offer protection to a domestic producer
* Currency controls
* Restrictions on the convertibility of currency into other currencies
* Product and testing standards
* Foreign goods meet a country’s domestic product or testing standards before they can be offered for sale in the country
* Why Protectionism
* Political Arguments
* National Security
* Retaliation (Action was taken in return for an injury or offence)
* Protecting Jobs
* Protecting Human rights
* Economic Arguments
* Infant Industry Argument
* Strategic Trade Policy